

**In The Matter Of:**  
*THE TAX CLUB*

---

*BRENDAN PACK*  
*May 17, 2011*

---

*Precise Court Reporting*  
*200 Old Country Road*  
*Suite 110*  
*Mineola, New York 11501*  
*516-747-9393 718-343-7227 212-581-2570*

Original File 55424BP.v1

Min-U-Script® with Word Index

**This Page Intentionally Left Blank**

THE TAX CLUB

BRENDAN PACK  
May 17, 2011

Page 1	Page 3
<p>1 -----X</p> <p>2</p> <p>3 IN THE MATTER OF</p> <p>4 THE TAX CLUB</p> <p>5 -----X</p> <p>6</p> <p>7 163 West 125th Street</p> <p>8 New York, New York</p> <p>9</p> <p>10 May 17, 2011</p> <p>11 10:05 A.M.</p> <p>12</p> <p>13 DEPOSITION of BRENDAN PACK, taken</p> <p>14 pursuant to Subpoena, held at the above-mentioned</p> <p>15 time and place, before Patricia Wor, a Notary</p> <p>16 Public of the State of New York.</p> <p>17</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>	<p>1 B. Pack</p> <p>2 B R E N D A N P A C K, having first been duly</p> <p>3 sworn by a Notary Public of the State of New</p> <p>4 York, was examined and testified as follows:</p> <p>5 MS. PROSPER: Please mark these.</p> <p>6 (Whereupon, AG Exhibit-8, Subpoena, was</p> <p>7 marked for identification, as of this date by</p> <p>8 the Reporter.)</p> <p>9 (Whereupon, AG Exhibit-9, Affidavit of</p> <p>10 Service, was marked for identification, as of</p> <p>11 this date by the Reporter.)</p> <p>12 (Whereupon, AG Exhibit-10, Copy of</p> <p>13 driver's license, was marked for</p> <p>14 identification, as of this date by the</p> <p>15 Reporter.)</p> <p>16 MS. PROSPER: Good morning. My name is</p> <p>17 Judy Prosper. I'm an Assistant Attorney</p> <p>18 General in the Office of the Attorney</p> <p>19 General, Eric T. Schneiderman.</p> <p>20 Today is Tuesday, the 17th of May 2011.</p> <p>21 Present with me here in the Harlem Regional</p> <p>22 Office conference room are Assistant Attorney</p> <p>23 General in Charge, Guy H. Mitchell, and one</p> <p>24 of our student interns, Chardonnay McMillian.</p> <p>25 This is a continuation In the Matter of</p>
Page 2	Page 4
<p>1</p> <p>2 A P P E A R A N C E S:</p> <p>3</p> <p>4 STATE OF NEW YORK</p> <p>5 OFFICE OF THE ATTORNEY GENERAL</p> <p>6 ERIC T. SCHNEIDERMAN</p> <p>7 163 West 125th Street, Suite 1324</p> <p>8 New York, New York 10027-8201</p> <p>9 BY: JUDY S. PROSPER,</p> <p>10 Assistant Attorney General</p> <p>11 GUY H. MITCHELL,</p> <p>12 Assistant Attorney General In Charge</p> <p>13</p> <p>14</p> <p>15 LAW OFFICE OF JOSEPH W. SANSCRAINT</p> <p>16 Attorney for The Tax Club and</p> <p>17 the Witness</p> <p>18 1120 Avenue of the Americas</p> <p>19 Fourth Floor</p> <p>20 New York, New York 10036</p> <p>21</p> <p>22 ALSO PRESENT</p> <p>23 Chardonnay McMillian, Intern</p> <p>24</p> <p>25</p>	<p>1 B. Pack</p> <p>2 The Tax Club. Today our witness is Brendan</p> <p>3 Pack. Present also is Mr. Joseph</p> <p>4 Sanscrainte, his attorney or The Tax Club's</p> <p>5 attorney.</p> <p>6 Please state your appearance and the law</p> <p>7 office address.</p> <p>8 MR. SANSCRAINT: My name is Joseph</p> <p>9 Sanscrainte. I'm with the Law Office of</p> <p>10 Joseph Sanscrainte and I'm at 1120 Avenue of</p> <p>11 the Americas, 4th Floor, New York, New York</p> <p>12 10036.</p> <p>13 MS. PROSPER: Thank you.</p> <p>14 This examination is being conducted</p> <p>15 pursuant to Article 22 of the General</p> <p>16 Business Law and Article 5 of the Executive</p> <p>17 Law. The Attorney General has civil and</p> <p>18 criminal jurisdiction and as such we give you</p> <p>19 the following warnings.</p> <p>20 First, anything you say or any document</p> <p>21 you produce may be used against you in a</p> <p>22 legal proceeding.</p> <p>23 Second, you have the right to refuse to</p> <p>24 answer any questions if a truthful answer</p> <p>25 would tend to incriminate you criminally.</p>

**BRENDAN PACK**  
May 17, 2011

**THE TAX CLUB**

Page 5

1 B. Pack  
2 Third, any willful misstatement may  
3 constitute perjury.  
4 The Attorney General will permit you to  
5 have an attorney present during this  
6 examination. The attorney's role is limited  
7 to consultation with you in order to give you  
8 legal advice regarding privileged answers but  
9 for no other reason.  
10 Do you understand what I've said?  
11 THE WITNESS: Yes.  
12 EXAMINATION BY  
13 MS. PROSPER:  
14 Q. Have you taken any prescription or  
15 nonprescription drugs or medication that will  
16 effect your ability to proceed?  
17 A. No.  
18 Q. Are you prepared to proceed?  
19 A. Yes.  
20 Q. Mr. Pack, have you ever testified under  
21 oath in any proceeding before today?  
22 A. No.  
23 Q. Have you ever been the subject of any  
24 investigation by any law enforcement agency?  
25 A. No.

Page 6

1 B. Pack  
2 Q. Have you ever been convicted of a crime?  
3 A. No.  
4 Q. What is your full name?  
5 A. Brendan Andrew Pack.  
6 Q. Have you ever used any other name?  
7 A. No.  
8 Q. Did you receive notification or a  
9 subpoena requiring you to appear at this office  
10 today?  
11 A. Yes.  
12 Q. What did you receive?  
13 A. It was a letter.  
14 Q. How did you receive it?  
15 A. Mail.  
16 Q. Where did the mail come?  
17 A. The office.  
18 Q. I'm going to show you what has been  
19 marked as Exhibit-8 and ask you if you recognize  
20 it.  
21 A. Yes.  
22 Q. What do you recognize it to be?  
23 A. The letter that I received to appear  
24 here.  
25 Q. Again, you said you received it by mail

Page 7

1 B. Pack  
2 and not by --  
3 A. Well, it was shown to me by Mike. He  
4 had it in his office.  
5 Q. Who is "Mike"?  
6 A. Mike Savage.  
7 Q. Who is he?  
8 A. The President of The Tax Club.  
9 MS. PROSPER: At this time I'm going to  
10 move Exhibit-8 into evidence.  
11 Exhibit-8, the subpoena, directs  
12 Mr. Brendan Pack, Sales Manager, of Manhattan  
13 Professional Group Inc./The Tax Club to  
14 appear on the 6th day of May at 10 o'clock.  
15 That date was adjourned by arrangement of  
16 counsel to today.  
17 Let the record reflect that what is  
18 Exhibit-8 is a copy of the subpoena and not  
19 the original that was given to Mr. Pack.  
20 (Whereupon, AG Exhibit-8, as previously  
21 described, was marked in evidence, as of this  
22 date.)  
23 MS. PROSPER: I would now like to  
24 identify AG Exhibit-9 for identification as  
25 the Affidavit of Service and I'm going

Page 8

1 B. Pack  
2 to move it into evidence. It reads, in  
3 pertinent part, "I, Robin A. Womack, being  
4 duly sworn, deposes and says: That on  
5 4-27-2011 at 350 Fifth Avenue, 60th floor,  
6 City of New York, State of New York, deponent  
7 served the above on Manhattan Professional  
8 Group, Inc./Tax Club at 10:55 a.m.," and it  
9 was delivered to a Nicole Thornton.  
10 (Whereupon, AG Exhibit-9, as previously  
11 described, was marked in evidence, as of this  
12 date by the Reporter.)  
13 MS. PROSPER: Throughout the subpoena  
14 hearing I'll be referring to and showing you  
15 documents culled from what The Tax Club  
16 produced to our office pursuant to an earlier  
17 subpoena. Some of these documents have  
18 already been admitted into evidence and I'll  
19 refer to them as such and some have not and  
20 perhaps will be during your testimony. I'm  
21 just going to get some background  
22 information.  
23 Q. Are you currently married?  
24 A. Yes.  
25 Q. What is your spouse's name and

THE TAX CLUB

BRENDAN PACK  
May 17, 2011

Page 9	Page 11
<p>1 B. Pack</p> <p>2 occupation?</p> <p>3 A. Courtney Pack. She does not have a job.</p> <p>4 Q. Do you have any children?</p> <p>5 A. Not yet, no. One on the way.</p> <p>6 Q. Do you pay any child support, college or</p> <p>7 grad school tuition?</p> <p>8 A. No.</p> <p>9 Q. What is your home address, please?</p> <p>10 A. [REDACTED]</p> <p>11 [REDACTED]</p> <p>12 Q. With whom do you reside?</p> <p>13 A. My wife.</p> <p>14 Q. How long have you resided at this</p> <p>15 address?</p> <p>16 A. Well, we've been in that building for</p> <p>17 five years but in different apartments.</p> <p>18 Q. Can you give me the apartments that you</p> <p>19 resided in?</p> <p>20 A. [REDACTED]</p> <p>21 Q. You said the past four years?</p> <p>22 A. Five.</p> <p>23 Q. Do you currently own any real estate in</p> <p>24 New York State?</p> <p>25 A. No.</p>	<p>1 B. Pack</p> <p>2 Q. Which one?</p> <p>3 A. A car.</p> <p>4 Q. What kind of car is it, make and model?</p> <p>5 A. A BMW X5.</p> <p>6 Q. What year is it, do you know?</p> <p>7 A. 2009 or '10, I believe.</p> <p>8 Q. Have you ever enlisted in the military?</p> <p>9 A. No.</p> <p>10 Q. What's your social security number,</p> <p>11 please?</p> <p>12 A. [REDACTED]</p> <p>13 Q. What's your date of birth, please?</p> <p>14 A. [REDACTED]</p> <p>15 Q. Earlier today you produced to me your</p> <p>16 driver's license, which I have copied.</p> <p>17 Can you tell me if this is a fair and</p> <p>18 accurate representation of the driver's license</p> <p>19 you gave me, please?</p> <p>20 A. Yes.</p> <p>21 MS. PROSPER: It's both sides. Let the</p> <p>22 record reflect that the witness has</p> <p>23 identified this document as a true copy of</p> <p>24 his driver's license. It looks like the</p> <p>25 license number is [REDACTED]</p>
Page 10	Page 12
<p>1 B. Pack</p> <p>2 Q. Have you ever in New York State?</p> <p>3 A. No.</p> <p>4 Q. Do you currently own any real estate in</p> <p>5 any other state or country?</p> <p>6 A. Yes.</p> <p>7 Q. Can you tell me where that is?</p> <p>8 A. Washington State.</p> <p>9 Q. What do you own?</p> <p>10 A. A rental house and a townhouse.</p> <p>11 Q. Any other country?</p> <p>12 A. No.</p> <p>13 Q. Do you own a car, boat, aircraft or</p> <p>14 motorcycle?</p> <p>15 A. I don't own, no.</p> <p>16 Q. Do you have any retirement savings,</p> <p>17 stocks, investments?</p> <p>18 A. Yes.</p> <p>19 Q. Safety deposit box?</p> <p>20 A. No.</p> <p>21 Q. Have you ever enlisted in the military?</p> <p>22 A. No.</p> <p>23 Q. Do you lease a car, boat, aircraft or</p> <p>24 motorcycle?</p> <p>25 A. Yes.</p>	<p>1 B. Pack</p> <p>2 and the address on the license is [REDACTED]</p> <p>3 [REDACTED] and I</p> <p>4 can't read the zip code because of the copy.</p> <p>5 THE WITNESS: [REDACTED]</p> <p>6 MS. PROSPER: I'm just marking the zip</p> <p>7 code [REDACTED] on the document because it's</p> <p>8 illegible on the copy, and at this time I</p> <p>9 would like to enter AG 10 into evidence.</p> <p>10 (Whereupon, AG Exhibit-10, as previously</p> <p>11 described, was marked in evidence, as of this</p> <p>12 date by the Reporter.)</p> <p>13 Q. How did you get here today?</p> <p>14 A. Subway.</p> <p>15 Q. What is your highest level of education,</p> <p>16 sir?</p> <p>17 A. Graduated college.</p> <p>18 Q. What major did you have in college?</p> <p>19 A. Business.</p> <p>20 Q. Do you have any other degrees or</p> <p>21 certifications?</p> <p>22 A. No.</p> <p>23 Q. Other than at The Tax Club -- when I say</p> <p>24 "The Tax Club," I speak generally of Manhattan</p> <p>25 Professional Group and as an umbrella using "The</p>

**BRENDAN PACK**  
May 17, 2011

**THE TAX CLUB**

<p style="text-align: right;">Page 13</p> <p>1 B. Pack</p> <p>2 Tax Club" as, you know, general characterization</p> <p>3 of the whole entity.</p> <p>4 A. Right.</p> <p>5 MS. PROSPER: Let the record reflect</p> <p>6 that Manhattan Professional Group, Inc./The</p> <p>7 Tax Club is the incorporated name for the New</p> <p>8 York entity.</p> <p>9 Q. Other than The Tax Club, and I'll ask</p> <p>10 questions about this a little bit later, have you</p> <p>11 previously held any position at any other tax or</p> <p>12 business related organization?</p> <p>13 A. No.</p> <p>14 Q. Please describe your employment history</p> <p>15 for the last 10 years.</p> <p>16 A. I was a valet in college, I worked for a</p> <p>17 friend doing construction in college, and then</p> <p>18 The Tax Club has been my only job after college.</p> <p>19 Q. When did you start at The Tax Club?</p> <p>20 A. November of 2004.</p> <p>21 Q. Have you ever been fired from any</p> <p>22 position, other than for downsizing or</p> <p>23 restructuring?</p> <p>24 A. No.</p> <p>25 Q. Did any of your prior employment</p>	<p style="text-align: right;">Page 15</p> <p>1 B. Pack</p> <p>2 who would have the answer to that</p> <p>3 information, I would ask you to please give</p> <p>4 me their name for any of the following</p> <p>5 questions and just throughout.</p> <p>6 Again, I'm going to use another word,</p> <p>7 another phrase, and I may have left it out of</p> <p>8 my outline, but I'm interested to know under</p> <p>9 your supervision, not sort of generally in</p> <p>10 The Tax Club. Right now the questions that I</p> <p>11 ask are about your position specifically and</p> <p>12 the employees under your supervision.</p> <p>13 Q. How many employees work under your</p> <p>14 supervision in New York?</p> <p>15 A. Approximately 60.</p> <p>16 Q. Describe the role of the sales</p> <p>17 department led by you.</p> <p>18 A. To generate revenue for the company.</p> <p>19 Q. How is the revenue generated?</p> <p>20 A. We sell tax services over the phone.</p> <p>21 Q. What other kinds of products do you</p> <p>22 sell?</p> <p>23 A. Bookkeeping, business planning, payroll,</p> <p>24 various business accounting services.</p> <p>25 Q. How does your department or how might</p>
<p style="text-align: right;">Page 14</p> <p>1 B. Pack</p> <p>2 positions require you to supervise others?</p> <p>3 A. No.</p> <p>4 Q. What is your current position at The Tax</p> <p>5 Club?</p> <p>6 A. Sales manager.</p> <p>7 Q. How did you first come to be related to</p> <p>8 The Tax Club?</p> <p>9 A. I interviewed.</p> <p>10 Q. When did that interview take place?</p> <p>11 A. In the fall of 2004.</p> <p>12 Q. How did you know that a job was</p> <p>13 available?</p> <p>14 A. A friend of a friend informed me.</p> <p>15 Q. What are your current responsibilities</p> <p>16 at The Tax Club?</p> <p>17 A. I manage the sales managers, so I manage</p> <p>18 sales for the New York office.</p> <p>19 Q. For all Tax Club products?</p> <p>20 A. Yeah.</p> <p>21 MS. PROSPER: For the following</p> <p>22 questions, if for any reason you do not know</p> <p>23 the answer from your own personal knowledge,</p> <p>24 please say so. Don't guess or try to answer</p> <p>25 it. If you know someone else at The Tax Club</p>	<p style="text-align: right;">Page 16</p> <p>1 B. Pack</p> <p>2 your department interface with some of the other</p> <p>3 departments, if it does at all, at The Tax Club?</p> <p>4 A. We bring new clients on board to The Tax</p> <p>5 Club. They are handed off to customer service</p> <p>6 and fulfillment and usually they will manage</p> <p>7 those client relationships throughout the</p> <p>8 entirety of their time at The Tax Club.</p> <p>9 Q. What are the sort of limitations? You</p> <p>10 mentioned two other departments that seem to sort</p> <p>11 of take over after your department. So is sales</p> <p>12 sort of the sum total of what your department is</p> <p>13 responsible for?</p> <p>14 A. Yes, we only do sales.</p> <p>15 Q. Do you have any attorneys under your</p> <p>16 supervision in New York?</p> <p>17 A. No.</p> <p>18 Q. Do you have any accountants under your</p> <p>19 supervision in New York?</p> <p>20 A. No.</p> <p>21 Q. Are any other professionals or</p> <p>22 paraprofessionals under your supervision?</p> <p>23 A. Just appointment setters.</p> <p>24 Q. Can you describe what appointment</p> <p>25 setters --</p>



THE TAX CLUB

BRENDAN PACK  
May 17, 2011

<p style="text-align: right;">Page 17</p> <p>1 B. Pack</p> <p>2 A. They will contact a person if they've</p> <p>3 missed an appointment to set an appointment for</p> <p>4 us, for the salespeople to talk with them.</p> <p>5 Q. So let's back up to how these</p> <p>6 appointments come to be.</p> <p>7 A. We get leads into our database. The</p> <p>8 appointment setters will contact those leads, set</p> <p>9 an appointment for a sales rep. A sales rep will</p> <p>10 contact them and talk to them about the services,</p> <p>11 and if the client likes the services, we'll sign</p> <p>12 them up.</p> <p>13 Q. Let's go back a little further.</p> <p>14 You used the word "leads." Can you give</p> <p>15 me sort of -- can we sort of back up to how those</p> <p>16 leads are obtained by The Tax Club, like the</p> <p>17 origin of the leads.</p> <p>18 A. We work with anyone who is looking to</p> <p>19 pursue a small business.</p> <p>20 Q. When you say "anyone," how do you find</p> <p>21 these anyone?</p> <p>22 A. We don't make that determination. You</p> <p>23 know, if they're starting a business, we get them</p> <p>24 from -- you know, could be anything. You know,</p> <p>25 anyone who is looking to start a business we work</p>	<p style="text-align: right;">Page 19</p> <p>1 B. Pack</p> <p>2 Q. Who are the first people you mentioned?</p> <p>3 You said people refer you to. Are they</p> <p>4 individuals, are they companies, are they -- what</p> <p>5 kinds of -- please name some of the organizations</p> <p>6 or people who have referred potential customers</p> <p>7 to you?</p> <p>8 A. Legal Zoom.</p> <p>9 Q. Any others?</p> <p>10 A. StoresOnline. Sorry, I'm blanking.</p> <p>11 Q. Is there a name or description for these</p> <p>12 types of people?</p> <p>13 A. Small business owners.</p> <p>14 Q. Not the potential customers but these</p> <p>15 referrers.</p> <p>16 A. Businesses that deal with small business</p> <p>17 owners.</p> <p>18 Q. Are you familiar with the term "lead</p> <p>19 source"?</p> <p>20 A. Yes.</p> <p>21 Q. Would you call them lead sources?</p> <p>22 A. Yes.</p> <p>23 Q. So what kind of relationship would you</p> <p>24 say you have -- if I could continue to call them</p> <p>25 lead sources, is that a fair --</p>
<p style="text-align: right;">Page 18</p> <p>1 B. Pack</p> <p>2 with.</p> <p>3 Q. Who initiates the contact with the</p> <p>4 potential clients?</p> <p>5 A. In most cases we do.</p> <p>6 Q. Where do you get their names?</p> <p>7 A. From, you know, any variety of partners</p> <p>8 that refer people over to us.</p> <p>9 Q. Could you describe "partners" to me,</p> <p>10 please?</p> <p>11 A. Anybody who provides us leads.</p> <p>12 Q. What I'm trying to figure out are who</p> <p>13 are these partners. How do you partner up with</p> <p>14 them and sort of what arrangements you may have</p> <p>15 with them in order that they give you these names</p> <p>16 for you to solicit? So I don't want to put words</p> <p>17 in your mouth. I just want to know sort of how</p> <p>18 do you -- if you're involved in the process and</p> <p>19 if you know, how the list you use to call from is</p> <p>20 generated.</p> <p>21 A. People referring small business owners</p> <p>22 over to us because they know that we offer small</p> <p>23 business services and we can help people with,</p> <p>24 you know, running their business from an</p> <p>25 administrative standpoint.</p>	<p style="text-align: right;">Page 20</p> <p>1 B. Pack</p> <p>2 A. Yes.</p> <p>3 Q. What kind of relationship do you have</p> <p>4 with these lead sources in terms of The Tax Club?</p> <p>5 A. They send us leads. We obviously offer</p> <p>6 those people our services and then we remit a</p> <p>7 revenue split back to them if we sign people up</p> <p>8 for our services.</p> <p>9 Q. How do you choose lead sources?</p> <p>10 A. Well, unfortunately it doesn't work like</p> <p>11 that. I mean, anyone who wants to work with us,</p> <p>12 we are always open for small business owners with</p> <p>13 leads. The nice thing is that we've been around</p> <p>14 for 10 years so people know us, so oftentimes</p> <p>15 we'll get approached.</p> <p>16 Q. Would you say you pay for customer lists</p> <p>17 or do you pay for customer lists at times?</p> <p>18 A. In most cases, no.</p> <p>19 Q. Do these lead sources disseminate</p> <p>20 information to potential customers in advance of</p> <p>21 The Tax Club contacting them?</p> <p>22 A. In many cases, yes.</p> <p>23 Q. Do lead sources, to your knowledge, tell</p> <p>24 potential customers that their names will be sold</p> <p>25 or given, sorry, led to The Tax Club?</p>

**BRENDAN PACK**  
May 17, 2011

**THE TAX CLUB**

<p style="text-align: right;">Page 21</p> <p>1 B. Pack</p> <p>2 A. In many cases, yes.</p> <p>3 Q. Do you maintain a record of lead sources</p> <p>4 such as Legal Zoom? Do you maintain written</p> <p>5 records of your interactions with lead sources</p> <p>6 such as Legal Zoom and StoresOnline?</p> <p>7 A. All lead sources are in our database and</p> <p>8 so the accounting department keeps a record for</p> <p>9 accounting purposes to remit the revenue, you</p> <p>10 know.</p> <p>11 Q. We started this whole conversation with</p> <p>12 the process for making an initial contact to a</p> <p>13 potential customer.</p> <p>14 Who is the first Tax Club employee to</p> <p>15 contact a potential customer?</p> <p>16 A. In most cases, a sales rep.</p> <p>17 Q. You spoke of appointment setters. Do</p> <p>18 they reach out to the potential customer before</p> <p>19 the sales rep or at some point after?</p> <p>20 A. They could reach out before the sales</p> <p>21 rep, but in most cases the sales rep is the first</p> <p>22 to reach out. Not every time that we set an</p> <p>23 appointment does the person attend the</p> <p>24 appointment. If they're busy, they miss it, and</p> <p>25 so the appointment setters call them to</p>	<p style="text-align: right;">Page 23</p> <p>1 B. Pack</p> <p>2 recruiting your sales reps?</p> <p>3 A. We don't do any recruiting anymore.</p> <p>4 Everything is through referrals.</p> <p>5 Q. Where do your referrals come from?</p> <p>6 A. Other sales reps.</p> <p>7 Q. Why don't you give me details and sort</p> <p>8 of just flow with how from the hiring process of</p> <p>9 a sales rep they are trained.</p> <p>10 A. A new person will be brought on board,</p> <p>11 the first thing that we do is we have them go</p> <p>12 through training with our -- we have a department</p> <p>13 that focuses on training.</p> <p>14 Q. Not the sales department?</p> <p>15 A. I do not conduct training, no.</p> <p>16 Q. So who conducts training?</p> <p>17 A. Jason Baum and Preston Clark.</p> <p>18 Q. Where are Jason Baum and Preston Clark</p> <p>19 located?</p> <p>20 A. Preston is in our New York office.</p> <p>21 Jason is in our Utah office.</p> <p>22 Q. So what qualifications do the sales reps</p> <p>23 have when they come to you?</p> <p>24 A. College educations and previous sales</p> <p>25 experience.</p>
<p style="text-align: right;">Page 22</p> <p>1 B. Pack</p> <p>2 reschedule the appointment, if they missed it.</p> <p>3 Q. How do they come to get that first</p> <p>4 appointment? Who calls them to get that -- make</p> <p>5 that first appointment?</p> <p>6 A. Either the appointment setter or the</p> <p>7 sales rep will call and schedule that first</p> <p>8 appointment. If the client misses that first</p> <p>9 appointment, the appointment setter will call</p> <p>10 them back to reschedule that appointment.</p> <p>11 Q. What is the dialogue, would you say,</p> <p>12 that takes place between the initial Tax Club</p> <p>13 contact and the potential customer when this</p> <p>14 appointment is being set?</p> <p>15 A. Hello, person's name, this is John</p> <p>16 calling from The Tax Club, we want to schedule an</p> <p>17 appointment with you to go over your new</p> <p>18 business, what is a good time for me to speak</p> <p>19 with you, and we'll schedule an appointment.</p> <p>20 Q. How do you call your sales force? How</p> <p>21 do you go about hiring and -- hiring your</p> <p>22 sales -- I don't know what they're called, the</p> <p>23 people who do the calling?</p> <p>24 A. Sales rep.</p> <p>25 Q. Sales rep. How do you go about</p>	<p style="text-align: right;">Page 24</p> <p>1 B. Pack</p> <p>2 Q. How much previous sales experience?</p> <p>3 A. Could be very little, could be many</p> <p>4 years.</p> <p>5 Q. You mentioned earlier that the sales</p> <p>6 take place by phone.</p> <p>7 Is there any other method by which the</p> <p>8 sale could take place?</p> <p>9 A. We have started to do webinars more and</p> <p>10 more now.</p> <p>11 Q. Describe that.</p> <p>12 A. It's just another way for us to -- the</p> <p>13 tough thing with calling people on the phone is</p> <p>14 you could only speak with one person. With a</p> <p>15 webinar you could speak with a much larger group</p> <p>16 of people and also we can standardize the webinar</p> <p>17 so it's 100 percent the same every single time,</p> <p>18 and so that's a new way that we're -- you know,</p> <p>19 we're really excited about because we feel that</p> <p>20 it's a really good way to contact people and to</p> <p>21 talk about our services and to inform them about</p> <p>22 the benefits of being a business owner.</p> <p>23 Q. How do the folks who I guess view the</p> <p>24 webinar or participate in the webinar come to</p> <p>25 know that it's going to happen and get</p>



THE TAX CLUB

BRENDAN PACK  
May 17, 2011

<p style="text-align: right;">Page 25</p> <p>1 B. Pack</p> <p>2 information on how they could tune in?</p> <p>3 A. An appointment setter will either</p> <p>4 contact them to attend the webinar or we will</p> <p>5 e-mail them.</p> <p>6 Q. Where do you get the information from?</p> <p>7 A. From the lead source.</p> <p>8 Q. So I'm going to move away from training</p> <p>9 because you said you don't do any training.</p> <p>10 Are you involved at all in the materials</p> <p>11 created for the training?</p> <p>12 A. They will ask for my input.</p> <p>13 Q. "They" being Mr. Baum and Mr. Clark?</p> <p>14 A. Yes.</p> <p>15 Q. Are there different tiers of sales reps?</p> <p>16 A. We have sales reps and then sales</p> <p>17 managers who manage the sales reps.</p> <p>18 Q. How many sales managers do you have?</p> <p>19 A. Eight.</p> <p>20 Q. You said 60 salespeople?</p> <p>21 A. Correct.</p> <p>22 Q. Including the eight or 60 on top of</p> <p>23 that?</p> <p>24 A. Including. It might be closer to 50</p> <p>25 total.</p>	<p style="text-align: right;">Page 27</p> <p>1 B. Pack</p> <p>2 A. Right.</p> <p>3 Q. So each team could solicit potential</p> <p>4 clients from anywhere?</p> <p>5 A. Yes.</p> <p>6 Q. Speaking of anywhere, what is your swath</p> <p>7 of reaching out to clients? Is it the United</p> <p>8 States, are other countries involved? Whom are</p> <p>9 you soliciting your services to?</p> <p>10 A. Vast majority is United States, some</p> <p>11 Canada and sprinkles of overseas.</p> <p>12 Q. What countries overseas?</p> <p>13 A. Could be any country. I mean, English</p> <p>14 speaking, obviously.</p> <p>15 Q. Are you responsible for rating employee</p> <p>16 performances under your -- employees under your</p> <p>17 supervision?</p> <p>18 A. Annually I will rate the sales managers'</p> <p>19 performance, but that's not a formalized policy</p> <p>20 really.</p> <p>21 Q. Are sales calls recorded?</p> <p>22 A. Yes.</p> <p>23 Q. All of them?</p> <p>24 A. I'm sure the occasional one gets lost,</p> <p>25 but, yes, 100 percent of calls are recorded.</p>
<p style="text-align: right;">Page 26</p> <p>1 B. Pack</p> <p>2 Q. Can you describe in more detail, please,</p> <p>3 your actual sort of day-to-day position at The</p> <p>4 Tax Club?</p> <p>5 A. Managing sales, ensuring that the</p> <p>6 revenue that we're generating on a weekly basis</p> <p>7 is in line with, you know, our averages, managing</p> <p>8 the lead distribution to the sales managers and</p> <p>9 to the sales teams.</p> <p>10 Q. What is "lead distribution"?</p> <p>11 A. When a lead source sends us a lead, we</p> <p>12 have to give it out to the sales reps and we have</p> <p>13 different teams of sales reps, and so obviously</p> <p>14 making sure that each team has, you know, they're</p> <p>15 correct quantity of leads.</p> <p>16 Q. How are the teams divided?</p> <p>17 A. Pretty evenly. I mean, we have five</p> <p>18 teams that focus on bringing in, obviously, you</p> <p>19 know, clients. We distribute leads to those</p> <p>20 teams on a weekly basis and then they will</p> <p>21 contact clients and offer them our services.</p> <p>22 Q. Are they regional in any way or are</p> <p>23 they --</p> <p>24 A. No.</p> <p>25 Q. They're just random?</p>	<p style="text-align: right;">Page 28</p> <p>1 B. Pack</p> <p>2 Q. Are they ever reviewed for quality and</p> <p>3 content?</p> <p>4 A. Yes.</p> <p>5 Q. How does that happen?</p> <p>6 A. We have an eight-person monitoring</p> <p>7 department in Utah. They're only job is to</p> <p>8 listen to calls. I believe that they listen to,</p> <p>9 on average, like 13 percent of all of the actual</p> <p>10 sales calls. Every sales rep gets listened to at</p> <p>11 least once per week. Every compliance is</p> <p>12 listened to.</p> <p>13 Q. Can you describe "compliance" for me,</p> <p>14 please?</p> <p>15 A. After the sales rep has completed their</p> <p>16 call, the client is transferred to our compliance</p> <p>17 department and they will go over all the person's</p> <p>18 biographical information, name, phone number,</p> <p>19 e-mail address, go over what they are purchasing,</p> <p>20 how much they are purchasing it for, all of the</p> <p>21 payment terms, and then they will go over things</p> <p>22 like our cancellation policy, they will inform</p> <p>23 them of a variety of disclaimers as far as, you</p> <p>24 know, we cannot guarantee our success, other</p> <p>25 things like we do not offer legal advice. It's</p>

**BRENDAN PACK**  
May 17, 2011

**THE TAX CLUB**

<p style="text-align: right;">Page 29</p> <p>1 B. Pack</p> <p>2 just a very lengthy and detailed compliance call</p> <p>3 to ensure that the client is fully aware of the</p> <p>4 products or services that they are purchasing.</p> <p>5 Q. Are those compliance calls scripted?</p> <p>6 A. Yes.</p> <p>7 Q. I know we received a lot of scripts in</p> <p>8 the production that The Tax Club made to us,</p> <p>9 which you may or may not have been involved with.</p> <p>10 That was last April, I think.</p> <p>11 Who is on the line, if anyone else, when</p> <p>12 the compliance person is sort of complying or I</p> <p>13 don't know how -- what you call it, the call,</p> <p>14 verifying or something like that, you may have a</p> <p>15 different word?</p> <p>16 A. The sales rep might be on the line or</p> <p>17 the sales rep might not be on the line. It just</p> <p>18 matters if they transferred or conferenced it.</p> <p>19 How the phone system works, I'm not 100 percent</p> <p>20 sure.</p> <p>21 Q. You stated earlier that you're not</p> <p>22 involved in the training of the employees, so</p> <p>23 when they come to be under your supervision or</p> <p>24 the supervision of the sales managers they are</p> <p>25 already trained?</p>	<p style="text-align: right;">Page 31</p> <p>1 B. Pack</p> <p>2 A. Lead flow, how many leads they could</p> <p>3 expect for the upcoming week. A lot of it is</p> <p>4 just based on everyone's -- you know, because the</p> <p>5 lead flow is of primary concern. You know, how</p> <p>6 business revenue rises. So a lot of them are</p> <p>7 asking about lead flow. Also, if they have an</p> <p>8 issue with a client pertaining to one of our lead</p> <p>9 sources they will bring those to me.</p> <p>10 Q. What do you do?</p> <p>11 A. I will attempt to resolve them.</p> <p>12 Q. How?</p> <p>13 A. I might reach out to the lead source.</p> <p>14 Q. Did you ever reach out to clients</p> <p>15 yourself?</p> <p>16 A. No.</p> <p>17 Q. Can you tell me a little bit about how</p> <p>18 the sales force is paid and how involved you are</p> <p>19 in that? What's the pay structure? Is it</p> <p>20 straight salary, salary, commission, combination?</p> <p>21 A. Salary plus commission.</p> <p>22 Q. Can you explain again in more detail</p> <p>23 just -- I don't know anything. Really I'm</p> <p>24 getting my information from you -- in more detail</p> <p>25 exactly how, you know, how it happens? Are all</p>
<p style="text-align: right;">Page 30</p> <p>1 B. Pack</p> <p>2 A. Yes.</p> <p>3 Q. Do you have any interaction or -- again,</p> <p>4 I don't want to put words in your mouth --</p> <p>5 oversight on a daily basis as to, you know, Guy</p> <p>6 comes to my office, knocks on the door to check</p> <p>7 in, that kind of relationship with the sales reps</p> <p>8 or managers?</p> <p>9 A. There's certain sales reps who have been</p> <p>10 there for many, many years, back when I was more</p> <p>11 involved in the day-to-day sales, so, you know,</p> <p>12 they're colleagues, friends, and so some of them</p> <p>13 might come by to say hi and stuff like that, but</p> <p>14 sales managers really are the only people that I</p> <p>15 interact with on a day-to-day basis or weekly</p> <p>16 basis.</p> <p>17 Q. What are you talking about? What are</p> <p>18 you interacting about? Are they reporting</p> <p>19 certain things to you? Are you giving them</p> <p>20 instruction about certain things to do? Give me</p> <p>21 a little bit of the content of what those</p> <p>22 interactions are like.</p> <p>23 A. Completely may be non-business related.</p> <p>24 Q. I'm talking about between you and the</p> <p>25 sales managers now.</p>	<p style="text-align: right;">Page 32</p> <p>1 B. Pack</p> <p>2 the sales reps paid the same when they start? Is</p> <p>3 it based on experience? Like how is the pay</p> <p>4 structure?</p> <p>5 A. The pay structure has been in place for</p> <p>6 a very long time. Originally it was a base</p> <p>7 salary of \$26,000 per year. For the last two</p> <p>8 years probably it's been 20,000 just because the</p> <p>9 economy is not good and the business has gone</p> <p>10 down so we have to cut costs, so it's \$20,000 per</p> <p>11 year, plus they get commission on top of that and</p> <p>12 benefits, health care and stuff.</p> <p>13 Q. What percentage of the sale is their</p> <p>14 commission?</p> <p>15 A. Anywhere between 10 and 20 percent</p> <p>16 depending on their weekly sales.</p> <p>17 Q. So it's not just dependent on each</p> <p>18 individual sale, it will depend on how many sales</p> <p>19 they do during a week?</p> <p>20 A. In one week.</p> <p>21 Q. And the percentage fluctuates?</p> <p>22 A. Tiered, so like 10, 13, 16, 19.</p> <p>23 Q. Based on how many sales they make?</p> <p>24 A. Based on sales, yeah.</p> <p>25 Q. Aside from obviously commission, are</p>

THE TAX CLUB

BRENDAN PACK  
May 17, 2011

<p style="text-align: right;">Page 33</p> <p>1 B. Pack</p> <p>2 there any other types of incentives given for,</p> <p>3 you know, outstanding sales performance?</p> <p>4 A. Spiffs.</p> <p>5 Q. What's a "spiff"?</p> <p>6 A. You know, any given week we might try to</p> <p>7 motivate a sales team or a sales manager and we</p> <p>8 offer a spiff which is just an additional cash --</p> <p>9 like we'll add to a paycheck for hitting a sales</p> <p>10 goal.</p> <p>11 Q. Give me an example of a spiff.</p> <p>12 A. Every pay period we pay the sales</p> <p>13 managers a spiff if their net sales are at</p> <p>14 certain weekly levels.</p> <p>15 Q. How much is a spiff?</p> <p>16 A. 500 to \$1,000.</p> <p>17 Q. In a pay period?</p> <p>18 A. Yes.</p> <p>19 Q. Is this pay period a week or two weeks?</p> <p>20 A. Two weeks.</p> <p>21 Q. Do the spiffs trickle down to the sales</p> <p>22 reps?</p> <p>23 A. Sometimes sales reps will also get</p> <p>24 spiffs, but there's no formal spiffs. It's just</p> <p>25 totally random.</p>	<p style="text-align: right;">Page 35</p> <p>1 B. Pack</p> <p>2 chose to?</p> <p>3 A. I guess if I really pushed for it I</p> <p>4 could, but I wouldn't.</p> <p>5 Q. I just want to understand, do you have</p> <p>6 sales reps of varying degrees of experience?</p> <p>7 A. Yes.</p> <p>8 Q. And you also have sales managers of</p> <p>9 varying degrees of experience?</p> <p>10 A. Yes.</p> <p>11 Q. But they're all generally paid the same</p> <p>12 and fluctuations in their salary are based on</p> <p>13 sales and spiffs as you put them?</p> <p>14 A. Yes.</p> <p>15 Q. Now, the sales managers, how is their</p> <p>16 commission calculated? Are they selling as well</p> <p>17 or are they just overseeing the sales?</p> <p>18 A. They sell as well.</p> <p>19 Q. Is their percentage or rate higher than</p> <p>20 that of the sales reps?</p> <p>21 A. In many cases it's exactly the same. In</p> <p>22 a few cases it's a little bit higher.</p> <p>23 Q. Are there any penalties for the sales</p> <p>24 reps for various behaviors?</p> <p>25 A. Yes.</p>
<p style="text-align: right;">Page 34</p> <p>1 B. Pack</p> <p>2 Q. What is the basis --</p> <p>3 MR. SANSCRAINTE: Could I just</p> <p>4 interrupt?</p> <p>5 Does "spiff" stand for something?</p> <p>6 THE WITNESS: It's just the name -- I</p> <p>7 mean, it's just what I've always known them</p> <p>8 as.</p> <p>9 MR. SANSCRAINTE: I thought it was an</p> <p>10 acronym of some sort, Special Payment -- I</p> <p>11 could come up with something but --</p> <p>12 MS. PROSPER: Think about that.</p> <p>13 Q. What is the base salary for the sales</p> <p>14 managers?</p> <p>15 A. 35,000.</p> <p>16 Q. Is it uniform throughout?</p> <p>17 A. There's one sales manager that I know</p> <p>18 that gets more. That's something that's a</p> <p>19 carryover from many years ago and I don't really</p> <p>20 like to lower people's salaries so I have not</p> <p>21 done anything about it.</p> <p>22 Q. Do you have control over the salaries of</p> <p>23 the folks or is it something --</p> <p>24 A. It's set.</p> <p>25 Q. Can you pay someone more or less if you</p>	<p style="text-align: right;">Page 36</p> <p>1 B. Pack</p> <p>2 Q. Could you describe that for me, please?</p> <p>3 A. We have a lengthy fine list. Our</p> <p>4 monitoring department listens to every -- every</p> <p>5 call is recorded and stored. Our monitoring</p> <p>6 department listens to every compliance call, any</p> <p>7 customer complaint, any issue brought to them by</p> <p>8 anyone in the company. They will pull that call</p> <p>9 and actively listen to it, and then -- and all</p> <p>10 sales reps are listened to at least once a week.</p> <p>11 If the monitoring department finds anything in</p> <p>12 that call that's on our fine list, the sales rep</p> <p>13 will be fined and that will be deducted from</p> <p>14 their paycheck.</p> <p>15 Q. What kinds of fines are on the fine</p> <p>16 list?</p> <p>17 A. It's lengthy. Everything, I mean from</p> <p>18 offering legal advice to telling someone that</p> <p>19 they're going to be -- you know, telling them</p> <p>20 that they're going to be successful to</p> <p>21 denigrating a lead provider, interoffice stuff,</p> <p>22 being late, but the vast majority of it is how</p> <p>23 they conduct the individual sales calls. I think</p> <p>24 there's 40 plus items.</p> <p>25 Q. One of the finable offenses you</p>

**BRENDAN PACK**  
May 17, 2011

**THE TAX CLUB**

<p style="text-align: right;">Page 37</p> <p>1 B. Pack</p> <p>2 mentioned is rendering legal advice.</p> <p>3 Tell me as the sales manager what that</p> <p>4 means to you.</p> <p>5 A. Telling someone about an entity that</p> <p>6 they should utilize.</p> <p>7 Q. "Entity" meaning what?</p> <p>8 A. An LLC or a corporation.</p> <p>9 Q. So would you -- I don't want to put</p> <p>10 words in your mouth. Are salespeople selling</p> <p>11 entities?</p> <p>12 A. Corporations are one of the parts of our</p> <p>13 Tax Club membership, some of our Tax Club</p> <p>14 memberships.</p> <p>15 Q. How does a sales rep or manager go about</p> <p>16 pitching an entity?</p> <p>17 A. We don't, in your words -- well, we</p> <p>18 don't talk about entities. We will let the</p> <p>19 client make that decision of what entity they</p> <p>20 want to choose.</p> <p>21 Q. How does the client come to their</p> <p>22 decision? How is the interface between the</p> <p>23 salesperson, by that I mean the sales rep or</p> <p>24 manager presenting the incorporation product?</p> <p>25 What kind of exchange is there? I know I'm</p>	<p style="text-align: right;">Page 39</p> <p>1 B. Pack</p> <p>2 The first thing on the list is -- it's</p> <p>3 down the middle of the first page, talks about</p> <p>4 incorporation Package A, there's B, there's C, I</p> <p>5 believe H, different letters of the alphabet. I</p> <p>6 want to talk in detail about how a salesperson</p> <p>7 comes to offer an incorporation package to a</p> <p>8 potential new client.</p> <p>9 What's happening on that call?</p> <p>10 A. Most important part of the call is what</p> <p>11 we call probing a client, trying to find out</p> <p>12 information about their current situation and</p> <p>13 their business needs, and based on what they tell</p> <p>14 us about the needs of their business, we will</p> <p>15 attempt to offer them a package that fits their</p> <p>16 needs.</p> <p>17 Q. When you talk about needs of a business,</p> <p>18 what kind of needs are you speaking of?</p> <p>19 A. Some people might already have</p> <p>20 corporations so we would obviously offer them one</p> <p>21 of our packages that does not include a</p> <p>22 corporation. Some of them might already work</p> <p>23 with an accountant or have a friend doing their</p> <p>24 taxes, so we would maybe take the tax preparation</p> <p>25 portion out of the package. Someone might have</p>
<p style="text-align: right;">Page 38</p> <p>1 B. Pack</p> <p>2 asking a lot of questions but I kind I want more</p> <p>3 of a flow. Like I'm receiving a call from The</p> <p>4 Tax Club, how is an incorporation service sold to</p> <p>5 me? Describe that to me. I'll stop there.</p> <p>6 A. We talk in very general terms about our</p> <p>7 products. In the case of a Tax Club membership,</p> <p>8 we're basically going to try to get across a few</p> <p>9 simple points; the features and the benefits of</p> <p>10 the product, how it's going to help the client</p> <p>11 and their business going forward, and the next</p> <p>12 step is in the fulfillment process.</p> <p>13 Q. Let's stay there.</p> <p>14 When you talk about a product that</p> <p>15 you're selling, let's talk about the</p> <p>16 incorporation packages or products. I have</p> <p>17 Exhibit-7 already in evidence from a prior</p> <p>18 subpoena hearing, and this was my attempt at</p> <p>19 putting together this very crude -- all of the</p> <p>20 packages for sale.</p> <p>21 Let the record reflect that I'm showing</p> <p>22 the witness AG Exhibit-7 already in evidence.</p> <p>23 This is culled, again, from the production of The</p> <p>24 Tax Club and it goes through everything -- the</p> <p>25 initial packages sold by The Tax Club.</p>	<p style="text-align: right;">Page 40</p> <p>1 B. Pack</p> <p>2 significant financial -- you know, where they</p> <p>3 don't have, you know, a lot of money and so we</p> <p>4 will obviously then tailor a package that is our</p> <p>5 least expensive option, so it could be any</p> <p>6 variety of things.</p> <p>7 Q. I want to focus on the incorporation</p> <p>8 packages though.</p> <p>9 A potential client who does not yet have</p> <p>10 a corporate entity, a business incorporated, they</p> <p>11 are contacted by The Tax Club, by a sales rep,</p> <p>12 what do the sales reps say to them sort of and</p> <p>13 how is it supposed to go down? You as the</p> <p>14 manager, what is expected by you that the sales</p> <p>15 people are doing in these calls?</p> <p>16 A. We provide every sales rep not a script</p> <p>17 but a bullet pointed outline of areas we want</p> <p>18 them to cover in each consultation with a client,</p> <p>19 so we obviously expect them to cover those bullet</p> <p>20 points, but every consultation is different</p> <p>21 because every client's situation is different.</p> <p>22 So a big part of it is really probing</p> <p>23 the client, finding out their needs, what their</p> <p>24 limitations are and then tailoring a product or</p> <p>25 package for their specific situation.</p>



THE TAX CLUB

BRENDAN PACK  
May 17, 2011

Page 41	Page 43
<p>1 B. Pack</p> <p>2 Q. You talked about bullet points. Are</p> <p>3 these written bullet points?</p> <p>4 A. Right now as it currently stands we have</p> <p>5 outlines that are provided to all of the sales</p> <p>6 reps, bullet points of the features and the</p> <p>7 benefits of every service that we offer, so, you</p> <p>8 know, a Tax Club membership, a corporation, tax</p> <p>9 preparation, tax planning, et cetera, et cetera.</p> <p>10 Q. Before we keep referring to this, I</p> <p>11 would like you to take a look at it in the crude</p> <p>12 form that I put it in and let me know if it's</p> <p>13 sort of a fair and accurate representation of the</p> <p>14 packages that you are selling at The Tax Club.</p> <p>15 A. Yes.</p> <p>16 Q. So these outlines -- I have here a lot</p> <p>17 of training material that was produced by The Tax</p> <p>18 Club after the last subpoena hearing. I have</p> <p>19 something called The Tax Club Guide to</p> <p>20 Incorporating, I have The Tax Club Sales Training</p> <p>21 Presentation Transcript, I have My Essential</p> <p>22 Plans Sales Training Test, I have The Tax Club</p> <p>23 Sales Manual, and I have The Tax Club Legal</p> <p>24 Compliance With Telemarketing Regulations, and I</p> <p>25 have Legal Strategies for Organizing Your</p>	<p>1 B. Pack</p> <p>2 (Whereupon, AG Exhibit-14, The Tax Club</p> <p>3 Sales Manual, was marked for identification,</p> <p>4 as of this date by the Reporter.)</p> <p>5 (Whereupon, AG Exhibit-15, The Tax Club</p> <p>6 Legal Compliance with Telemarketing</p> <p>7 Regulations, was marked for identification,</p> <p>8 as of this date by the Reporter.)</p> <p>9 (Whereupon, AG Exhibit-16, Legal</p> <p>10 Strategies for Organizing Your Company, was</p> <p>11 marked for identification, as of this date by</p> <p>12 the Reporter.)</p> <p>13 Q. I'm going to show you these six</p> <p>14 documents entered for identification, 11 through</p> <p>15 16, and please indicate to me, if you know, those</p> <p>16 that are used for sales training and those that</p> <p>17 you might use in your day-to-day supervision or</p> <p>18 overseeing of the sales department one at a time.</p> <p>19 AG Exhibit-11, Tax Club's Guide to</p> <p>20 Incorporating, tell me if you recognize it and if</p> <p>21 it's something that you use in your day to day or</p> <p>22 the sales force uses it their day to day.</p> <p>23 A. I probably have seen stuff that's</p> <p>24 similar to this, but I have not seen this</p> <p>25 specific document, and I don't use this on a</p>
Page 42	Page 44
<p>1 B. Pack</p> <p>2 Company.</p> <p>3 Can you tell me, if you know, which, if</p> <p>4 any, of these documents are used to train the</p> <p>5 reps that you are not -- the training that you</p> <p>6 are not involved in, or maybe you don't know,</p> <p>7 versus any of these documents that are used by</p> <p>8 you or referred to by you when dealing with or</p> <p>9 instructing or I was going to say commanding but</p> <p>10 that's not the right word?</p> <p>11 We're going to go ahead and mark these</p> <p>12 for identification and then I'm going to pass</p> <p>13 them to you.</p> <p>14 (Whereupon, AG Exhibit-11, The Tax</p> <p>15 Club's Guide to Incorporating, was marked for</p> <p>16 identification, as of this date by the</p> <p>17 Reporter.)</p> <p>18 (Whereupon, AG Exhibit-12, The Tax Club</p> <p>19 Sales Training Presentation Transcript, was</p> <p>20 marked for identification, as of this date by</p> <p>21 the Reporter.)</p> <p>22 (Whereupon, AG Exhibit-13, My Essential</p> <p>23 Plans Sales Training Test, was marked for</p> <p>24 identification, as of this date by the</p> <p>25 Reporter.)</p>	<p>1 B. Pack</p> <p>2 day-to-day basis.</p> <p>3 Q. AG 12 is The Tax Club Sales Training</p> <p>4 Presentation Transcript.</p> <p>5 A. I have never seen it, but I'm assuming</p> <p>6 that this is what they use for the on-line sales</p> <p>7 training courses.</p> <p>8 Q. But you're not involved with that?</p> <p>9 A. No.</p> <p>10 Q. Number 14 for identification is The Tax</p> <p>11 Club Sales Manual.</p> <p>12 A. I am familiar with this.</p> <p>13 Q. Is this something that's used in</p> <p>14 training the sales force or is it something that</p> <p>15 you use --</p> <p>16 A. I don't know.</p> <p>17 Q. Do you use it?</p> <p>18 A. No.</p> <p>19 Q. Let's go back to 13 now, My Essential</p> <p>20 Plans Sales Training Test.</p> <p>21 A. I'm familiar with this, but since I</p> <p>22 don't -- I'm not involved in the training, I</p> <p>23 don't use it.</p> <p>24 Q. Number 16 for identification, Legal</p> <p>25 Strategies for Organizing Your Company.</p>

**BRENDAN PACK**  
May 17, 2011

**THE TAX CLUB**

<p style="text-align: right;">Page 45</p> <p>1 B. Pack</p> <p>2 A. I'm assuming this is the start-up guide.</p> <p>3 I'm familiar with the start-up guide. It's the</p> <p>4 start-up.</p> <p>5 Q. Do you or any of the folks that you</p> <p>6 supervise use the transcripts beyond the training</p> <p>7 that they get?</p> <p>8 A. Beyond the training that they get?</p> <p>9 Q. Beyond the training, when they sit at</p> <p>10 their phone and they're making phone calls, do</p> <p>11 they have any materials, besides the scripts that</p> <p>12 you mentioned, in front of them?</p> <p>13 A. They have the price sheet.</p> <p>14 Q. That being AG Exhibit-7 already in</p> <p>15 evidence.</p> <p>16 A. Because we have a lot of packages so</p> <p>17 they could remember the correct price and what's</p> <p>18 included.</p> <p>19 Q. To your knowledge, are they referring at</p> <p>20 any time to any other documents or manuals?</p> <p>21 A. No, not that I know of.</p> <p>22 Q. So at their station or desk or office,</p> <p>23 which is it, by the way, station, desk, office</p> <p>24 cubicle?</p> <p>25 A. We have just large tables and then we</p>	<p style="text-align: right;">Page 47</p> <p>1 B. Pack</p> <p>2 A. I don't know.</p> <p>3 MR. MITCHELL: Could I just interject</p> <p>4 for a second?</p> <p>5 MS. PROSPER: Yes.</p> <p>6 MR. MITCHELL: You asked the question</p> <p>7 surrounding some exhibits, and looking at AG</p> <p>8 Exhibit Number 13, I want to show this again,</p> <p>9 did you indicate whether or not you were</p> <p>10 familiar with that exhibit or not?</p> <p>11 THE WITNESS: I'm not 100 percent</p> <p>12 familiar with it. I think I've seen it. You</p> <p>13 know, it's -- I think it's one of the on-line</p> <p>14 training tools for business plans, I believe.</p> <p>15 I'm not 100 percent sure.</p> <p>16 MR. MITCHELL: Who, if anyone, within</p> <p>17 The Tax Club is responsible for producing</p> <p>18 that document?</p> <p>19 THE WITNESS: If it's a business plan,</p> <p>20 the individual who runs our business planning</p> <p>21 department, his name escapes me right now.</p> <p>22 Sorry.</p> <p>23 BY MS. PROSPER:</p> <p>24 Q. Let me follow up on that question.</p> <p>25 Are the materials that we just reviewed</p>
<p style="text-align: right;">Page 46</p> <p>1 B. Pack</p> <p>2 set up the sales reps at intervals. You know,</p> <p>3 they have, you know, 36 inches and -- but it's</p> <p>4 big, long tables.</p> <p>5 Q. In one room, there are several tables in</p> <p>6 a room?</p> <p>7 A. Several rooms, several tables in each</p> <p>8 room.</p> <p>9 Q. Do they have anything before them</p> <p>10 besides the two things you mentioned, the scripts</p> <p>11 and possibly some form of AG Exhibit-7 already in</p> <p>12 evidence, in front of them when they are making</p> <p>13 the sales calls?</p> <p>14 A. No, I don't believe so.</p> <p>15 Q. So would you say that they sort of bring</p> <p>16 their training with them to the call and they're</p> <p>17 sort of working from their training and they're</p> <p>18 not referring to anything more than what you've</p> <p>19 described?</p> <p>20 A. The bullet pointed product outlines are</p> <p>21 everywhere around the office because they're</p> <p>22 laminated and they have -- you know, they're all</p> <p>23 held together, and so I see those everywhere, so,</p> <p>24 you know, reference material.</p> <p>25 Q. But they don't individually have those?</p>	<p style="text-align: right;">Page 48</p> <p>1 B. Pack</p> <p>2 for identification --</p> <p>3 THE WITNESS: Jeff Fisher.</p> <p>4 Q. -- AG Exhibit-11, 12, 13, 14, 15 and 16,</p> <p>5 are those training materials or are those</p> <p>6 fulfillment materials that you know of? And I'll</p> <p>7 show them all to you again, if you want to take a</p> <p>8 look. I want to distinguish between what the</p> <p>9 sales reps have or are trained with and what the</p> <p>10 customers receive after they become Tax Club</p> <p>11 customers, so I do want to distinguish these, if</p> <p>12 you know and if you understand my two categories.</p> <p>13 A. I believe that Exhibit-16 is a</p> <p>14 fulfillment product just because it has this on</p> <p>15 the top, The Start-Up Guide, and The Start-Up</p> <p>16 Guide is the name of a product.</p> <p>17 I mean, since it says Sales Training</p> <p>18 Presentation Transcript, I would assume that this</p> <p>19 is training that they use to train sales reps on</p> <p>20 business plans.</p> <p>21 This is a sales training manual. I'm</p> <p>22 familiar with it just because this has been</p> <p>23 around for many, many years. Obviously we're</p> <p>24 always updating and improve all of our sales</p> <p>25 training manual. I'm just familiar with this</p>



THE TAX CLUB

BRENDAN PACK  
May 17, 2011

Page 49

1 B. Pack

2 because this has been around for some time.

3 Q. Would you say that's also training

4 material?

5 A. Yes, but I don't think this is actually

6 given to sales reps when they start working at

7 the company.

8 MR. MITCHELL: What is this exhibit?

9 THE WITNESS: 14.

10 Q. Tell me about this, what you know about

11 The Tax Club Sales Manual, Exhibit-14 for

12 identification.

13 A. I'm just familiar with it because I've

14 seen it. I probably haven't seen it in a year or

15 two, but that's how I'm familiar with it.

16 MR. MITCHELL: Who uses it, if you know?

17 What is the document generated for?

18 THE WITNESS: I don't know.

19 Q. How about Tax Club Guide to

20 Incorporating, AG 11 for identification?

21 A. I'm assuming this is a resource for

22 sales reps and also potentially people in

23 fulfillment to inform them about, you know, these

24 different things as far as LLCs, entities,

25 employer identification numbers.

Page 50

1 B. Pack

2 Q. So for sales --

3 A. And kind of how the fulfillment process

4 works. You know, they get a welcome letter.

5 Just, you know, the fulfillment process. The

6 main things that we really communicate to sales

7 reps as far as what they do on their consultation

8 is features and benefits of the service, how it

9 will help the client in their business going

10 forward, and the next step in the fulfillment,

11 because we want the client to be comfortable with

12 what happens next, so this is informing the sales

13 rep so they could communicate effectively with

14 the clients, how they get fulfilled for a

15 corporation or an EIN number.

16 Q. You're again saying that your assumption

17 is that this is used by sales reps, but you don't

18 know?

19 A. I do not know.

20 Q. If it's a fulfillment or a sales

21 training?

22 A. Yes, I don't know.

23 MR. MITCHELL: Would Jeff Fisher be able

24 to authenticate or identify, rather, the

25 exhibits that we just described? I believe

Page 51

1 B. Pack

2 it was 13 through 16.

3 THE WITNESS: He is the manager of the

4 business plan fulfillment department, so I

5 would assume that his knowledge is specific

6 towards My Essential Plan, the business plan

7 product.

8 Q. How about 12, AG 12 for identification?

9 A. I'm assuming that this is the sales

10 training that they go through the -- you know,

11 since it's WebEx, one of the on-line sales

12 training.

13 Q. "They" meaning who, the customers or the

14 sales reps?

15 A. The sales reps. The training department

16 uses it for new sales reps when they come on

17 board to the company informing them about all the

18 different Tax Club products and services.

19 Q. And, lastly, AG 15 for identification.

20 A. This is most likely the second on-line

21 training tool, which is legal and compliance

22 training. I know the two on-line training tools;

23 first one is products, you know, informing them

24 about features and benefits of the service, how

25 they'll help the client going forward, and the

Page 52

1 B. Pack

2 second part is, you know, all the regulatory

3 requirements that sales reps have to be aware of

4 as far as when they are talking to people on the

5 phone. The TSR, FTC regulations, everything,

6 do-not-call lists, all that stuff. So I am -- I

7 know them as on-lines but I've never actually

8 seen the documents.

9 MR. MITCHELL: When you say you saw them

10 on-line, are you familiar with what you saw

11 on-line is produced as a hard copy?

12 THE WITNESS: Yes.

13 MR. MITCHELL: Would you say that AG 15,

14 looking at it not on-line but the actual

15 document that you're looking at now, is that

16 a fair and accurate representation as to what

17 appears on-line?

18 THE WITNESS: Absolutely.

19 MS. PROSPER: Okay, so let's move 15

20 into evidence.

21 (Whereupon, AG Exhibit-15, as previously

22 described, was marked in evidence, as of this

23 date by the Reporter.)

24 MR. MITCHELL: Look at AG Exhibit Number

25 12, same question.

**BRENDAN PACK**  
May 17, 2011

**THE TAX CLUB**

Page 53	Page 55
<p>1 B. Pack</p> <p>2 THE WITNESS: Yes.</p> <p>3 MR. MITCHELL: We're going to move that</p> <p>4 into evidence.</p> <p>5 MS. PROSPER: Okay, 12 is admitted.</p> <p>6 (Whereupon, AG Exhibit-12, as previously</p> <p>7 described, was marked in evidence, as of this</p> <p>8 date by the Reporter.)</p> <p>9 MS. PROSPER: We're going to take one</p> <p>10 minute outside.</p> <p>11 (A recess was taken.)</p> <p>12 Q. For these last three exhibits that we</p> <p>13 have identified, AG 11, Tax Club Guide to</p> <p>14 Incorporating, if you are not familiar with the</p> <p>15 document, who do you think might be, who in the</p> <p>16 company might be --</p> <p>17 A. Jason Baum and Preston Clark.</p> <p>18 Q. AG 13 for identification, My Essential</p> <p>19 Plans Sales Training Test.</p> <p>20 A. Jason Baum and Preston Clark.</p> <p>21 Q. And The Tax Club Sales Manual, AG 14 for</p> <p>22 identification, who do you think, if you're not</p> <p>23 familiar enough with it, who do you think would</p> <p>24 be?</p> <p>25 A. Jason Baum and Preston Clark.</p>	<p>1 B. Pack</p> <p>2 Q. Do you earn a salary from The Tax Club?</p> <p>3 A. Yes.</p> <p>4 Q. How much are you paid?</p> <p>5 A. \$45,000.</p> <p>6 Q. Is that a base salary?</p> <p>7 A. Yes.</p> <p>8 Q. Is there anything that could be added to</p> <p>9 that based on performance?</p> <p>10 A. Occasionally I could get a spiff.</p> <p>11 Q. What about commission?</p> <p>12 A. I do not receive commission.</p> <p>13 Q. Any split of profits, shares or anything</p> <p>14 like that?</p> <p>15 A. I do not get a split of profit or</p> <p>16 shares.</p> <p>17 Q. So your base salary is \$45,000?</p> <p>18 A. Yes.</p> <p>19 Q. And that's the sum total of your salary?</p> <p>20 A. No. I get an override, which is a</p> <p>21 percentage of the revenue that we generate.</p> <p>22 Q. So that's different from a commission?</p> <p>23 A. Managers get overrides. Sales reps get</p> <p>24 commissions.</p> <p>25 Q. Can you give me an average over the last</p>
Page 54	Page 56
<p>1 B. Pack</p> <p>2 Q. Thank you.</p> <p>3 If you know, can you tell me, you said</p> <p>4 Preston Clark was in Utah or Jason Baum?</p> <p>5 A. Jason Baum.</p> <p>6 Q. Jason Baum is in Utah.</p> <p>7 If you know, how does he train the New</p> <p>8 York sales force from Utah?</p> <p>9 A. On-line and over the phone.</p> <p>10 Q. If you know, again --</p> <p>11 A. And in person. He comes to New York.</p> <p>12 Q. What are the various modalities of</p> <p>13 training for the sales reps?</p> <p>14 A. Modalities?</p> <p>15 Q. You said --</p> <p>16 A. On-line.</p> <p>17 Q. On-line?</p> <p>18 A. On-line, face to face, over the phone,</p> <p>19 webinar.</p> <p>20 Q. Are sales reps paid during their</p> <p>21 training period?</p> <p>22 A. Yes.</p> <p>23 Q. How long is the training period for</p> <p>24 sales reps?</p> <p>25 A. I don't know.</p>	<p>1 B. Pack</p> <p>2 three years of your salary plus -- say it again,</p> <p>3 please?</p> <p>4 A. Overrides.</p> <p>5 Q. Override, your average salary.</p> <p>6 A. Over the last three years?</p> <p>7 Q. Yes.</p> <p>8 A. \$1 million.</p> <p>9 Q. Each year?</p> <p>10 A. Annually.</p> <p>11 Q. From 45 base, from the \$45,000 base?</p> <p>12 A. That's my total compensation. I mean, I</p> <p>13 think it's 900 something. I think this year it</p> <p>14 was -- 2010 was nine something, if I'm --</p> <p>15 Q. Can you estimate, unless you know</p> <p>16 exactly, a total number of customers that were</p> <p>17 served by The Tax Club?</p> <p>18 How long have you been there? I'm</p> <p>19 sorry.</p> <p>20 A. Six years. I mean, it will be seven</p> <p>21 years this November.</p> <p>22 Q. Over the last five years that you've</p> <p>23 been there, if you know, or an average --</p> <p>24 A. Seven.</p> <p>25 Q. I'm asking over the last five.</p>

## THE TAX CLUB

BRENDAN PACK  
May 17, 2011

<p style="text-align: right;">Page 57</p> <p>1 B. Pack</p> <p>2 That were serviced by The Tax Club,</p> <p>3 were -- I'm sorry, let's keep it to the sales</p> <p>4 department, were --</p> <p>5 A. Sold?</p> <p>6 Q. Sold. Thank you.</p> <p>7 A. 75 to 100,000.</p> <p>8 Q. Those are new customers or --</p> <p>9 A. Yes.</p> <p>10 Q. How about products, can you estimate how</p> <p>11 many products were sold to these 75,</p> <p>12 approximately 75,000 new customers?</p> <p>13 A. 150,000 probably.</p> <p>14 Q. The total revenue, average, that the</p> <p>15 sales force brings in under your supervision over</p> <p>16 the last five years, give or take an average?</p> <p>17 A. Just under my supervision?</p> <p>18 Q. You're the head of the sales force.</p> <p>19 A. In New York.</p> <p>20 Q. In New York, yes. I'm only talking</p> <p>21 about under your supervision in New York.</p> <p>22 A. 2010 was probably 50 million. 2009 was</p> <p>23 probably 50 to 60 million. 2008 was probably 75</p> <p>24 to 80 million.</p> <p>25 Q. So going back, you're saying it's coming</p>	<p style="text-align: right;">Page 59</p> <p>1 B. Pack</p> <p>2 A. In 2010, 15 percent.</p> <p>3 Q. Of the total sales, right?</p> <p>4 A. Right.</p> <p>5 Q. Keep going. If you know, great.</p> <p>6 A. 2009, 20 percent. 2008, 25 percent.</p> <p>7 Q. Of the total sales?</p> <p>8 A. Probably closer to -- it's been very</p> <p>9 little in 2010. I mean, probably I would say 10</p> <p>10 percent, and then probably -- highest is</p> <p>11 20 percent a couple years past.</p> <p>12 Q. Then, if you know, what percentage of</p> <p>13 the customer totals that you just mentioned in a</p> <p>14 given year might request a refund?</p> <p>15 A. Request a refund?</p> <p>16 Q. Request a refund.</p> <p>17 A. 20 to 25 percent.</p> <p>18 Q. What percentage of customers who request</p> <p>19 that -- of that 25 percent, 20-25 percent, how</p> <p>20 many actually receive at refund?</p> <p>21 A. I don't know exactly, but I would</p> <p>22 suggest a very significant percentage because we</p> <p>23 refund about 17 to 20 percent of revenue.</p> <p>24 Q. Are you responsible for any advertising</p> <p>25 for The Tax Club?</p>
<p style="text-align: right;">Page 58</p> <p>1 B. Pack</p> <p>2 down, is that --</p> <p>3 A. The economy was -- 2008 was our biggest</p> <p>4 year in the company's history, and then, you</p> <p>5 know, the economy is bad and so sales dropped</p> <p>6 significantly.</p> <p>7 Q. Just to clarify, is there a sales</p> <p>8 manager for the Utah operations?</p> <p>9 A. Yes.</p> <p>10 Q. Who is that?</p> <p>11 A. Now -- I mean, there used to be one who</p> <p>12 was a long-time sales manager and he's no longer</p> <p>13 with the company as of several -- a couple months</p> <p>14 ago, and so there's just someone who kind of</p> <p>15 manages that office from an administrative and</p> <p>16 also a sales standpoint.</p> <p>17 Q. Who is that?</p> <p>18 A. Joel Sessions, S-E-S-S-I-O-N-S.</p> <p>19 Q. Do you know the name of the person who</p> <p>20 was before him? You said the long-standing</p> <p>21 person.</p> <p>22 A. Callon Lee.</p> <p>23 Q. How much, if you know, revenue does the</p> <p>24 Utah office generate or how much is it in like</p> <p>25 percentage?</p>	<p style="text-align: right;">Page 60</p> <p>1 B. Pack</p> <p>2 A. No.</p> <p>3 Q. Is there an advertising department for</p> <p>4 The Tax Club?</p> <p>5 A. No.</p> <p>6 Q. Is there a member web site, if you know,</p> <p>7 maintained for The Tax Club?</p> <p>8 A. Yes.</p> <p>9 Q. Do you know who maintains it?</p> <p>10 A. We have, you know, a team of web guys in</p> <p>11 Utah who maintain the site, as far as I know. We</p> <p>12 might have outsourced, but that's as far as I</p> <p>13 know.</p> <p>14 Q. I'm talking about the content, not the</p> <p>15 input of it but the content.</p> <p>16 A. Yeah. I mean, I would assume all the</p> <p>17 accountants in New York, but I'm not sure.</p> <p>18 Q. Would you consider, again, if you know,</p> <p>19 the web site to be part of fulfillment or --</p> <p>20 A. 100 percent part of fulfillment.</p> <p>21 Q. So would the fulfillment guy, whose name</p> <p>22 is?</p> <p>23 A. Jeff Fisher.</p> <p>24 Q. Mr. Fisher know or be able to talk about</p> <p>25 what content is on the web site?</p>

**BRENDAN PACK**  
May 17, 2011

**THE TAX CLUB**

<p style="text-align: right;">Page 61</p> <p>1 B. Pack</p> <p>2 A. No.</p> <p>3 Q. Do you know who would?</p> <p>4 A. Gary Milkwick.</p> <p>5 Q. Is there, if you know, a portion of the</p> <p>6 web site that can be accessed by non-members,</p> <p>7 like if you want to find out information about</p> <p>8 The Tax Club or what --</p> <p>9 A. The home page, I believe, has some links</p> <p>10 on the top, it's been a while since I've been on</p> <p>11 it, and you could click for more information.</p> <p>12 You know, member benefits I believe is a tab and</p> <p>13 you could click on that and find the benefits and</p> <p>14 features of the services.</p> <p>15 Q. And then there's also a separate sort of</p> <p>16 pass code or members only entry?</p> <p>17 A. I think a log-in, you could log in and</p> <p>18 usually give a password and you get access to</p> <p>19 that.</p> <p>20 Q. Let's go back to the incorporation</p> <p>21 packages. As a sales manager, if you know, what</p> <p>22 percentage of initial sales are for incorporation</p> <p>23 packages?</p> <p>24 A. Packages that include a corporation in</p> <p>25 them?</p>	<p style="text-align: right;">Page 63</p> <p>1 B. Pack</p> <p>2 can get an LLC, an S corporation or a C</p> <p>3 corporation set up for them.</p> <p>4 Q. How does the person whom you call decide</p> <p>5 which of those three or any others they might</p> <p>6 want to become?</p> <p>7 A. They will make that decision.</p> <p>8 Q. What are they making the decision based</p> <p>9 on?</p> <p>10 A. Probably whatever they've heard might be</p> <p>11 a good entity. They might do their own research.</p> <p>12 Q. So you're calling someone, in your</p> <p>13 bullet points for persuading a potential customer</p> <p>14 to purchase an incorporation, a corporation as</p> <p>15 you call it, what is being told to them?</p> <p>16 A. We will really just talk to the client.</p> <p>17 I mean, as far as I know, how in depth they go</p> <p>18 with, you know, entities or corporations, you</p> <p>19 know, people will ask what do your clients do and</p> <p>20 we will just, you know, let them know what people</p> <p>21 tend to do. I think that's about as in depth as</p> <p>22 they go.</p> <p>23 Q. Does the salesperson compare in any way</p> <p>24 one to the other? What if I don't know anything</p> <p>25 about -- me, I'm a potential customer and I don't</p>
<p style="text-align: right;">Page 62</p> <p>1 B. Pack</p> <p>2 Q. Yes, packages that include incorporation</p> <p>3 services.</p> <p>4 A. I would -- I mean, I would have to</p> <p>5 guess.</p> <p>6 Q. Guessing is okay, as long as we know</p> <p>7 it's a guess.</p> <p>8 A. 50 to 75 percent.</p> <p>9 Q. Can you describe for me, let's say, the</p> <p>10 most popular of those and that's -- you could --</p> <p>11 maybe the one that sold the most or the top</p> <p>12 incorporation package? Can you describe to me --</p> <p>13 A. The Business Saver and the Business</p> <p>14 Starter.</p> <p>15 Q. Let's start with the Business Saver.</p> <p>16 What is sold? Tell me, what am I buying if I</p> <p>17 purchase a Business Saver?</p> <p>18 A. A corporation, tax preparation, a tax</p> <p>19 plan, a year-round tax consulting, resident agent</p> <p>20 services, Corporate Records Pro, The Start-Up</p> <p>21 Guide.</p> <p>22 Q. So you say a corporation is sold. Tell</p> <p>23 me what you mean by that. How do you sell</p> <p>24 someone a corporation?</p> <p>25 A. We call it a Corporation &amp; Kit, a person</p>	<p style="text-align: right;">Page 64</p> <p>1 B. Pack</p> <p>2 know anything and I say, well, I need you to tell</p> <p>3 me, help me determine which one of these three or</p> <p>4 others I want to choose.</p> <p>5 A. I haven't seen or heard of fines coming</p> <p>6 through, you know, significantly for people</p> <p>7 offering legal advice, and so I would assume it's</p> <p>8 really a non-issue.</p> <p>9 One of the big things with how we sell</p> <p>10 is people are so general these days. I mean,</p> <p>11 clients might ask about tax deductions but we</p> <p>12 just really give people features and benefits,</p> <p>13 how it will help them. We try to keep it very</p> <p>14 generalized so we don't get into specifics with</p> <p>15 clients. That's one of the things that I know</p> <p>16 that they train on, just to be general.</p> <p>17 Q. You said there are not fines coming</p> <p>18 through. Tell me what you mean by that.</p> <p>19 A. Every week the training manager will</p> <p>20 have a conference call with all the sales</p> <p>21 managers, I'm not on that, and he will just, you</p> <p>22 know, go over fines that have been issued over</p> <p>23 the previous week, things that they need to</p> <p>24 improve upon just to let the sales managers know,</p> <p>25 you know, if there are certain things that the</p>

THE TAX CLUB

BRENDAN PACK  
May 17, 2011

<p style="text-align: right;">Page 65</p> <p>1 B. Pack</p> <p>2 previous week that, you know, it's coming up on</p> <p>3 the radar, make sure that you reiterate it to the</p> <p>4 guys, don't do this and they move forward, and, I</p> <p>5 mean, I haven't heard about -- you know, the</p> <p>6 legal advice hasn't been an issue that I heard</p> <p>7 about in years.</p> <p>8 Q. For the folks reviewing the calls, who</p> <p>9 are they, who are the folks reviewing the calls?</p> <p>10 A. There's an eight-person monitoring staff</p> <p>11 in Utah.</p> <p>12 Q. What kind of training do they have?</p> <p>13 A. I don't know.</p> <p>14 Q. How do you deal or how would a sales</p> <p>15 staff seller/sales rep deal with a potential</p> <p>16 client who really wanted specifics or needed</p> <p>17 specifics on which incorporation type to choose?</p> <p>18 A. I would hope that the sales rep would</p> <p>19 let him know that he can't answer those questions</p> <p>20 and once they are sent to compliance and</p> <p>21 fulfillment, the person who is fulfilling the</p> <p>22 entity setup could provide them additional</p> <p>23 information or resources that they could access</p> <p>24 on-line to get those questions answered</p> <p>25 themselves.</p>	<p style="text-align: right;">Page 67</p> <p>1 B. Pack</p> <p>2 comparing and contrasting about the various</p> <p>3 entities and which one -- honestly, I'm letting</p> <p>4 you know where my question is coming from</p> <p>5 because, honestly, if I were a purchaser of a</p> <p>6 good, I would need to be convinced of purchasing</p> <p>7 that good. You know, sold on it.</p> <p>8 How are potential new Tax Club customers</p> <p>9 sold on the need for your services at that</p> <p>10 particular time, talking about somebody who is</p> <p>11 not incorporated?</p> <p>12 A. Sales is a lot about excitement, getting</p> <p>13 someone excited about it. Most new business</p> <p>14 owners are excited and happy to start a business,</p> <p>15 and so, I mean, a lot of what the sales reps will</p> <p>16 really do is just maintain that excitement.</p> <p>17 Obviously, you know, the features and the</p> <p>18 benefits of the service they'll go over, you</p> <p>19 know, how is the corporation beneficial, asset</p> <p>20 protection and tax benefits, and they'll leave it</p> <p>21 at that. That's the general information that</p> <p>22 they communicate.</p> <p>23 Q. Do they leave it at they say "you get</p> <p>24 tax benefits"? Do they describe what kind of tax</p> <p>25 benefits you get?</p>
<p style="text-align: right;">Page 66</p> <p>1 B. Pack</p> <p>2 Q. But at the end of the sales call, are</p> <p>3 they sold the specific LLC, whatever the other</p> <p>4 two that you mentioned, S Corp. or the other</p> <p>5 kind?</p> <p>6 A. They just know that an entity is</p> <p>7 included in their purchase.</p> <p>8 Q. So it could be any one?</p> <p>9 A. Anything.</p> <p>10 Q. So at the end of the sales call you're</p> <p>11 representing that the salesperson hasn't sold</p> <p>12 them a particular entity but just the -- I don't</p> <p>13 want to say "potential" because they bought it.</p> <p>14 What are they -- I want to answer your question,</p> <p>15 what are they being sold, so they're not being</p> <p>16 sold a specific entity but what are they being</p> <p>17 sold and who is involved in the choosing of which</p> <p>18 entity, if a customer has no idea which one is</p> <p>19 best for them?</p> <p>20 A. I don't think anyone. The client would</p> <p>21 be the one who chooses the entity.</p> <p>22 Q. What is the client relying on? What is</p> <p>23 their -- are your salespeople or in your bullet</p> <p>24 points, which we'll ask you for at the end,</p> <p>25 giving them information regarding pros and cons</p>	<p style="text-align: right;">Page 68</p> <p>1 B. Pack</p> <p>2 A. Has there ever been a call that they</p> <p>3 have gone in depth? Absolutely. Have there been</p> <p>4 fines issued? Reps know that this -- if they</p> <p>5 discuss those things they're going to be get</p> <p>6 fined. There's 40 things on the fine list. We</p> <p>7 probably issued fines for every single one of</p> <p>8 them and then dozens of fines for certain ones.</p> <p>9 Inevitably people will say something that they</p> <p>10 shouldn't. That's why we have such a robust</p> <p>11 monitoring department. I mean, it's expensive to</p> <p>12 record and store every phone call but training</p> <p>13 is, obviously, incredibly important for what we</p> <p>14 do and the reps are saying the right thing is</p> <p>15 hugely important because we want to make sure</p> <p>16 that people are being communicated the correct</p> <p>17 information.</p> <p>18 Q. Let's say that someone has purchased --</p> <p>19 which incorporation package? We were talking</p> <p>20 about the --</p> <p>21 A. Business Saver.</p> <p>22 Q. What about for the other features, what</p> <p>23 kinds of information is the sales rep -- you</p> <p>24 mentioned about six or seven features or six or</p> <p>25 seven pieces to that package.</p>



**BRENDAN PACK**  
**May 17, 2011**

**THE TAX CLUB**

<p style="text-align: right;">Page 69</p> <p>1 B. Pack</p> <p>2 How is the sales rep selling?</p> <p>3 A. In my opinion, one of the biggest</p> <p>4 benefits of the tax membership is the year-round</p> <p>5 consulting. For a lot of these people, they're</p> <p>6 brand new to starting a business, they're not</p> <p>7 previous business owners so they're scared and</p> <p>8 unsure of how to run a business, so the ability</p> <p>9 to pick up the phone, call someone in our</p> <p>10 fulfillment department and accountant/CPA, get</p> <p>11 any of their questions answered is a huge selling</p> <p>12 point. We offer business accounting services but</p> <p>13 we're there to help people so they could focus on</p> <p>14 their business, generate revenue. We handle the</p> <p>15 rest. We want to know -- personal taxes are a</p> <p>16 pain. Now imagine business taxes. Most people</p> <p>17 can't do them, so we're just there to help them</p> <p>18 and answer questions.</p> <p>19 For me, I guess when you asked me the</p> <p>20 question how is selling -- we're going into</p> <p>21 specifics, but it's far easier to talk in general</p> <p>22 terms, easier to talk in general terms because</p> <p>23 you don't want to get bogged down in specifics.</p> <p>24 That's what kills sales, people asking dozens of</p> <p>25 questions, so you really want to keep it as</p>	<p style="text-align: right;">Page 71</p> <p>1 B. Pack</p> <p>2 entity is the right one for me, is there someone</p> <p>3 at The Tax Club who could help me make that</p> <p>4 decision?</p> <p>5 A. If anyone had questions about anything,</p> <p>6 they could always set up an appointment and talk</p> <p>7 to someone.</p> <p>8 Q. With who?</p> <p>9 A. Anyone in our fulfillment department.</p> <p>10 Q. Who is in the fulfillment department?</p> <p>11 What are their qualifications?</p> <p>12 A. CPAs, Enrolled Agents, MBAs, you know.</p> <p>13 Q. Specifically on the incorporation</p> <p>14 question, do you know, you may not, do you know</p> <p>15 who -- if I was new purchaser of the Business</p> <p>16 Saver package, again, I want to be incorporated I</p> <p>17 just did not know which one to choose, is there</p> <p>18 someone who I can bat it around with and say,</p> <p>19 hey, this is me, I'm just a single, sole</p> <p>20 proprietor or this is me, I have seven employees</p> <p>21 or this is me, I am going to work only six months</p> <p>22 out of the year because I'm retired, is there</p> <p>23 someone at The Tax Club who can interface with</p> <p>24 that client in making that decision?</p> <p>25 A. I'm sure there is, but I don't know who</p>
<p style="text-align: right;">Page 70</p> <p>1 B. Pack</p> <p>2 general as possible.</p> <p>3 MR. MITCHELL: You said that there's a</p> <p>4 CPA that they could ask if they have a</p> <p>5 question surrounding an accounting issue.</p> <p>6 THE WITNESS: Yes. We have a bunch of</p> <p>7 CPAs, EAs, accountants on our staff.</p> <p>8 MR. MITCHELL: Does the same CPA or any</p> <p>9 other professional in the compliance unit</p> <p>10 answer any questions surrounding the setting</p> <p>11 up of a specific entity, albeit S</p> <p>12 corporation, LLC whatever?</p> <p>13 THE WITNESS: I know that there's a</p> <p>14 staff in our corporation fulfillment</p> <p>15 department that they are the ones who</p> <p>16 actually will get the information from the</p> <p>17 client about, you know, hey, what entity did</p> <p>18 you want to set up, send that paperwork off</p> <p>19 to the state and also get the EIN number from</p> <p>20 the IRS.</p> <p>21 BY MS. PROSPER:</p> <p>22 Q. Not that piece, not the processing piece</p> <p>23 but the decision making piece, if I bought an</p> <p>24 incorporation package because I want to be</p> <p>25 incorporated but I do not know which corporate</p>	<p style="text-align: right;">Page 72</p> <p>1 B. Pack</p> <p>2 that person is.</p> <p>3 Q. Do you know who would know?</p> <p>4 A. Gary Milkwick.</p> <p>5 Q. How long are these -- I don't want to,</p> <p>6 again, use words, but the sales calls, how long</p> <p>7 are they on average, the first, initial one?</p> <p>8 A. Consultations last probably, on average,</p> <p>9 30 minutes to one hour.</p> <p>10 Q. You're calling it a "consultation." I'm</p> <p>11 talking about the initial sales call.</p> <p>12 When you say "consultation," what do you</p> <p>13 mean?</p> <p>14 A. Sales consultation, yes.</p> <p>15 Q. It takes how long?</p> <p>16 A. 30 minutes to one hour.</p> <p>17 Q. Is the salesperson gathering any</p> <p>18 information from the caller that they are then</p> <p>19 recording somewhere to pass along to somebody</p> <p>20 else?</p> <p>21 A. The first part of every call is what we</p> <p>22 call a probe where you ask the person information</p> <p>23 about them and their business, what their goals</p> <p>24 are, what their needs are, and that obviously</p> <p>25 allows us to present the correct package to them.</p>



## THE TAX CLUB

BRENDAN PACK  
May 17, 2011

<p style="text-align: right;">Page 73</p> <p>1 B. Pack</p> <p>2 Q. You talk about goals and needs, so the</p> <p>3 salesperson is involved in assessing the goals</p> <p>4 and needs of the potential new client?</p> <p>5 A. We will always talk to them about what</p> <p>6 their goals and needs are so we could create a</p> <p>7 package specifically for them.</p> <p>8 Q. So when is that happening? During the</p> <p>9 sales call is the salesperson themselves making</p> <p>10 the decision based on that goals and needs</p> <p>11 assessment that happens in the beginning of the</p> <p>12 conversation, is the salesperson themselves</p> <p>13 choosing and making a decision as to which</p> <p>14 package to offer the client?</p> <p>15 A. Yes.</p> <p>16 Q. What are the initial packages, if there</p> <p>17 is a finite combination of initial packages,</p> <p>18 offered to new clients?</p> <p>19 A. What are they?</p> <p>20 Q. Yes. If there's a finite list or it</p> <p>21 could be anything?</p> <p>22 A. It could be absolutely anything.</p> <p>23 Q. And so that decision as to which package</p> <p>24 to offer is made by whom?</p> <p>25 A. The sales rep.</p>	<p style="text-align: right;">Page 75</p> <p>1 B. Pack</p> <p>2 Q. Who fronts them -- is the money fronted</p> <p>3 by a third-party or does The Tax Club just kind</p> <p>4 of --</p> <p>5 A. They have to put 20 percent down. I</p> <p>6 think certain services like tax preparation you</p> <p>7 can't finance but they just pay a monthly fee</p> <p>8 over the remaining portion of their finance</p> <p>9 payment or finance period.</p> <p>10 Q. So the tax preparation you can't</p> <p>11 finance. What about incorporation services?</p> <p>12 A. I believe you can finance that.</p> <p>13 MR. MITCHELL: I just want to interject</p> <p>14 so I'm clear on the actual sales calls, and</p> <p>15 you kind of broke it down, which is good.</p> <p>16 There's first an introduction, there's a</p> <p>17 probe and then there's a close?</p> <p>18 THE WITNESS: A presentation.</p> <p>19 MR. MITCHELL: Presentation and then a</p> <p>20 close?</p> <p>21 THE WITNESS: And then a close.</p> <p>22 MR. MITCHELL: Let's say an</p> <p>23 unincorporated individual has been advised</p> <p>24 through the salesperson, the introduction,</p> <p>25 the probe, the presentation and the close, if</p>
<p style="text-align: right;">Page 74</p> <p>1 B. Pack</p> <p>2 Q. So we talked about a needs and goals</p> <p>3 assessment, a decision to offer a package or</p> <p>4 various packages. What happens next in the phone</p> <p>5 call?</p> <p>6 A. Usually a sales call, you know,</p> <p>7 traditional sales training, the introduction,</p> <p>8 we're from The Tax Club, a probe getting</p> <p>9 information, the presentation on our services,</p> <p>10 the features and the benefits and then what we</p> <p>11 call a close, obviously trying to get the client,</p> <p>12 you know, excited about what we're offering them</p> <p>13 and trying to get them to want to buy our</p> <p>14 services.</p> <p>15 Q. Is there financing available for folks</p> <p>16 who can't outright afford your services?</p> <p>17 A. Yes.</p> <p>18 Q. What kind of financing? Describe to me</p> <p>19 the structure.</p> <p>20 A. You have to put at least 20 percent down</p> <p>21 and then you could finance the rest over, I</p> <p>22 believe, 36 months, I believe. I'm not 100</p> <p>23 percent sure.</p> <p>24 Q. Who finances the purchase?</p> <p>25 A. The client.</p>	<p style="text-align: right;">Page 76</p> <p>1 B. Pack</p> <p>2 they were not aware at the beginning but at</p> <p>3 the end of the presentation, at the closing,</p> <p>4 would they be advised as to what type of</p> <p>5 entity they would have as part of a package,</p> <p>6 be it an LLC, an S Corp. or C Corp., whatever</p> <p>7 corporation, would they be advised at this</p> <p>8 final stage, at the closing stage of the</p> <p>9 sales call?</p> <p>10 THE WITNESS: The client might know at</p> <p>11 that point or they might know when they get</p> <p>12 actually fulfilled to set up the corporation</p> <p>13 with the people in our corporation paperwork</p> <p>14 department who actually set them up or they</p> <p>15 might have to speak with someone and then at</p> <p>16 that point. I think it could totally vary.</p> <p>17 MR. MITCHELL: Let me just finish this</p> <p>18 line of questioning.</p> <p>19 So at the close, you're saying that it's</p> <p>20 not a finite or it's not a final sale but it</p> <p>21 could be -- it's finalized after the next</p> <p>22 stage?</p> <p>23 THE WITNESS: The sale is final as far</p> <p>24 as the client is agreeing to move forward</p> <p>25 with the services but everything is not</p>

**BRENDAN PACK**  
May 17, 2011

**THE TAX CLUB**

<p style="text-align: right;">Page 77</p> <p>1 B. Pack</p> <p>2 fulfilled at the point of sale.</p> <p>3 MR. MITCHELL: Okay, so when the close</p> <p>4 is done and you say the sale is complete,</p> <p>5 that client would know -- at that point in</p> <p>6 time, let's say he's sold for whatever reason</p> <p>7 an S corporation, they would know at that</p> <p>8 point in time, at the close, is that what</p> <p>9 you're saying?</p> <p>10 THE WITNESS: No, not necessarily. I</p> <p>11 mean, they would know that they have a</p> <p>12 corporation included with their Tax Club</p> <p>13 membership. If they have bought the Business</p> <p>14 Saver package, for instance, they would know</p> <p>15 that a corporation is included. Compliance,</p> <p>16 going through a bullet point, reaffirms</p> <p>17 everything that they've purchased, what's</p> <p>18 included, the person's biographical</p> <p>19 information, the credit card that they're</p> <p>20 using, the cost and then obviously goes</p> <p>21 through a series of disclaimers.</p> <p>22 MR. MITCHELL: So it's not technically</p> <p>23 fulfilled until compliance checks it? Is</p> <p>24 that what -- I'm trying to understand.</p> <p>25 THE WITNESS: Certain services might not</p>	<p style="text-align: right;">Page 79</p> <p>1 B. Pack</p> <p>2 specifically, oh, sounds like you might need an S</p> <p>3 Corp. based on you having told me that you are a</p> <p>4 sole person, that you do this part time or</p> <p>5 that -- whatever factors? Is it sort of branded</p> <p>6 like that, if a client tells you this, suggest</p> <p>7 this to them, if a client tells you that, suggest</p> <p>8 this to them?</p> <p>9 A. I know that on that one exhibit, I</p> <p>10 remember they have kind of like a grid, chart of</p> <p>11 LLC, S Corp., C Corp., what's included, what the</p> <p>12 benefits are. I don't know if it's benefits,</p> <p>13 but, you know, all that information, I'm</p> <p>14 assuming, is included in the training. Obviously</p> <p>15 we have to familiarize the sales reps with the</p> <p>16 different entities.</p> <p>17 Q. Are the sales reps answering questions</p> <p>18 about the various entities?</p> <p>19 A. I'm sure clients do ask questions, but</p> <p>20 obviously we would hope the sales reps don't</p> <p>21 answer them with any specificity.</p> <p>22 Q. So in answer to my compound question</p> <p>23 earlier about whether the materials that the</p> <p>24 sales reps have before them while they're making</p> <p>25 the calls sort of steer them to offer or suggest</p>
<p style="text-align: right;">Page 78</p> <p>1 B. Pack</p> <p>2 be fulfilled for months after they purchase,</p> <p>3 like tax preparation, for instance. You</p> <p>4 know, you might buy in July but you're only</p> <p>5 going to get your taxes fulfilled, prepared</p> <p>6 in January, February, March, April of the</p> <p>7 next year.</p> <p>8 MR. MITCHELL: But is it fair to say</p> <p>9 before that time and at the end of the sale</p> <p>10 you know you have an incorporation package?</p> <p>11 THE WITNESS: If a corporation is</p> <p>12 included in your package, you will know that</p> <p>13 you have a corporation or that you could set</p> <p>14 up a corporation at any time.</p> <p>15 MR. MITCHELL: Okay, thanks.</p> <p>16 BY MS. PROSPER:</p> <p>17 Q. Back to the bullet point and scripts</p> <p>18 that are around the room, the laminated --</p> <p>19 A. The bullet points, the outlines of</p> <p>20 the -- yes.</p> <p>21 Q. Do they suggest what to suggest to a</p> <p>22 potential customer based on particular answers</p> <p>23 that they might give? For example, does it --</p> <p>24 might it lead a salesperson to make their</p> <p>25 decision as to what to offer, including</p>	<p style="text-align: right;">Page 80</p> <p>1 B. Pack</p> <p>2 certain packages, would you say that -- I'm</p> <p>3 trying to get inside the sales rep's head as far</p> <p>4 as why they suggest certain things to a</p> <p>5 particular client? What are the gymnastics going</p> <p>6 on in their brain?</p> <p>7 A. The general rule of thumb is, you know,</p> <p>8 for people involved in real estate, the vast</p> <p>9 majority of our clients choose to set up LLCs.</p> <p>10 For people who are involved in e-commerce or</p> <p>11 Internet related business, they choose to set up</p> <p>12 subchapter S corporations.</p> <p>13 Q. Let me stop you there, please.</p> <p>14 Does your sales rep tell them that?</p> <p>15 A. I would think that that -- they might</p> <p>16 communicate that.</p> <p>17 Q. So the sales rep may or may not</p> <p>18 communicate that, you have an Internet business,</p> <p>19 you know, and I'm not quoting, but if a potential</p> <p>20 person had an e-commerce business, as you said,</p> <p>21 they might tell them that many of our e-commerce</p> <p>22 clients have S corporations; is that fair?</p> <p>23 A. Yes.</p> <p>24 Q. And, likewise, if they had a real estate</p> <p>25 type of business, they might communicate that</p>

THE TAX CLUB

BRENDAN PACK  
May 17, 2011

<p style="text-align: right;">Page 81</p> <p>1 B. Pack</p> <p>2 most of the Tax Club's clients with real estate</p> <p>3 type businesses choose LLCs?</p> <p>4 A. Yes.</p> <p>5 Q. So I think we've sort of come to the</p> <p>6 probe and the presentation. We spoke earlier</p> <p>7 about the close with the compliance person.</p> <p>8 What information is given to the client,</p> <p>9 the about-to-purchase client before compliance</p> <p>10 comes on the line, sort of how does it wrap up</p> <p>11 with the salesperson?</p> <p>12 A. Well, how we would -- I believe how</p> <p>13 they're trained to wrap it up is go over the</p> <p>14 features and benefits of the service, how it's</p> <p>15 going to help you and your business going</p> <p>16 forward, and the next step is the fulfillment</p> <p>17 process.</p> <p>18 Q. The fulfillment is done by whom? Are</p> <p>19 these sales folks as well or is it a different --</p> <p>20 A. It's a different separate. It's called</p> <p>21 our compliance department and there's, I think,</p> <p>22 13 -- 13 in either New York or Utah and then</p> <p>23 there's another seven, so there's 20 people in</p> <p>24 total that they do all the compliances for the</p> <p>25 sales that we make.</p>	<p style="text-align: right;">Page 83</p> <p>1 B. Pack</p> <p>2 go over our cancellation policy and that, you</p> <p>3 know, we cannot be responsible for your success,</p> <p>4 and then they finish up the call and wish the</p> <p>5 client a good day.</p> <p>6 Q. Who finishes up the call?</p> <p>7 A. Compliance.</p> <p>8 Q. So is the salesperson sort of done at a</p> <p>9 specific point?</p> <p>10 A. I mean, once the person is transferred</p> <p>11 over to compliance, their job is done.</p> <p>12 Q. Now, what if during the compliance</p> <p>13 portion of the call the person said "I change my</p> <p>14 mind," is there something --</p> <p>15 A. Hopefully the compliance person would</p> <p>16 communicate to the sales rep that the person</p> <p>17 didn't want to follow through on their purchase</p> <p>18 and then they would get the salesperson back on</p> <p>19 the line and then hopefully the salesperson would</p> <p>20 assuage their concerns and they would move</p> <p>21 forward, but there's always cases where they</p> <p>22 don't, and, you know, nothing we could do about</p> <p>23 that.</p> <p>24 Q. Just one more thing about the financing.</p> <p>25 Is it or is it not a third-party? Is there a</p>
<p style="text-align: right;">Page 82</p> <p>1 B. Pack</p> <p>2 Q. Are they under the sales department</p> <p>3 or --</p> <p>4 A. No.</p> <p>5 Q. -- or is it a separate compliance</p> <p>6 department?</p> <p>7 A. It's separate.</p> <p>8 Q. How do they come into the call, like I'm</p> <p>9 a sales rep, I'm done, I've potentially got you</p> <p>10 ready to buy, do I get your credit card?</p> <p>11 A. The sales rep will transfer the client</p> <p>12 over to the compliance department. The</p> <p>13 compliance department will read a script, first</p> <p>14 is introducing themselves, congratulating them on</p> <p>15 their purchase, going over all their biographical</p> <p>16 information, name, phone number, e-mail address,</p> <p>17 talking to them about the product that they've</p> <p>18 purchased, what's included in the product they've</p> <p>19 purchased, a credit card that they're going to be</p> <p>20 using, expiration date, CVV number, and then they</p> <p>21 will schedule their fulfillment appointments.</p> <p>22 Then, you know, they will bring them into talking</p> <p>23 about -- you know, I think there's three</p> <p>24 disclaimers that they go over, if I'm not</p> <p>25 mistaken. We do not offer legal services. They</p>	<p style="text-align: right;">Page 84</p> <p>1 B. Pack</p> <p>2 third-party involved who pays The Tax Club and</p> <p>3 then the person financing owes that third-party</p> <p>4 or does The Tax Club itself finance?</p> <p>5 A. I know that when we started financing we</p> <p>6 used a third-party for like all the</p> <p>7 administrative and the paperwork and the</p> <p>8 collections. I think at some point we moved it</p> <p>9 in-house though.</p> <p>10 Q. Maybe I'm not clear.</p> <p>11 Is it like a Tax Club credit like a</p> <p>12 Macy's credit card, Macy's is financing your</p> <p>13 purchase, or is there another company that pays</p> <p>14 The Tax Club in advance and then it collects the</p> <p>15 money from the client?</p> <p>16 A. No. I think just the person puts down</p> <p>17 20 percent, The Tax Club will bill their credit</p> <p>18 or debit card on a monthly basis for whatever</p> <p>19 that percentage is that they work out over the</p> <p>20 lease term, not lease term but over the financing</p> <p>21 term, and it just goes until they've paid off</p> <p>22 their balance.</p> <p>23 Q. So it's not outside, it's not someone</p> <p>24 outside financing The Tax Club payment, it's not</p> <p>25 like financing a house?</p>

**BRENDAN PACK**  
May 17, 2011

**THE TAX CLUB**

<p style="text-align: right;">Page 85</p> <p>1 B. Pack</p> <p>2 A. No.</p> <p>3 Q. We spoke about collections and things</p> <p>4 like that. Let me just ask, when there's a</p> <p>5 dispute or request for refund and that person</p> <p>6 will owe you, let's say they have a financing</p> <p>7 agreement and they may owe The Tax Club money but</p> <p>8 are requesting a refund at the same time or are</p> <p>9 requesting a suspension of services or what have</p> <p>10 you, they wanted to end the relationship with The</p> <p>11 Tax Club and money is still owed, who calculates</p> <p>12 how much the services rendered are worth, already</p> <p>13 rendered are worth?</p> <p>14 A. Our billing department.</p> <p>15 Q. Is there a formula, a place where the</p> <p>16 client can go to sort of know in advance sort of</p> <p>17 the value?</p> <p>18 A. I believe on the web site, The Tax Club</p> <p>19 web site there is a list of what the various</p> <p>20 products cost.</p> <p>21 Q. Inside of a package?</p> <p>22 A. Yes.</p> <p>23 Q. So if a package has 10 features -- and</p> <p>24 can you suspend one or two of the features and</p> <p>25 keep the rest or is it just --</p>	<p style="text-align: right;">Page 87</p> <p>1 B. Pack</p> <p>2 things, so I think quite a bit of the fulfillment</p> <p>3 is done in the first 15 days.</p> <p>4 Q. What about things that are not done or</p> <p>5 have not been completed during that 15 days?</p> <p>6 A. Tax preparation.</p> <p>7 Q. Right, but what I'm saying is what if</p> <p>8 their entity isn't up and running because they</p> <p>9 haven't chosen which one they want to do yet</p> <p>10 within the first 15 days and so those papers have</p> <p>11 not yet been prepared? You know, 15 days is not</p> <p>12 a long time or doesn't seem like it. What if</p> <p>13 fulfillment cannot happen within those 15 days</p> <p>14 but yet there is still that cutoff for no</p> <p>15 refunds?</p> <p>16 A. I know that the billing department is</p> <p>17 very -- you know, they don't shy away from</p> <p>18 refunds. I think if a person said "I haven't</p> <p>19 been fulfilled for the services, I want my money</p> <p>20 back," they would -- you know, I know one thing</p> <p>21 we do really well is we refund. The billing</p> <p>22 department is pretty good at that.</p> <p>23 Q. Is there a penalty for a sales rep whose</p> <p>24 purchase is later refunded?</p> <p>25 A. Yes. They lose the commission.</p>
<p style="text-align: right;">Page 86</p> <p>1 B. Pack</p> <p>2 A. Yeah, sure.</p> <p>3 Q. And then you're saying on-line there's</p> <p>4 sort of a split, separation of --</p> <p>5 A. I think on-line there's just a bullet</p> <p>6 point, what tax representation costs, I mean,</p> <p>7 whatever feature of The Tax Club membership and</p> <p>8 what it costs, so if a person was to cancel and</p> <p>9 they wanted to see how much money they might be</p> <p>10 able to get back, they could go on-line and</p> <p>11 reference that.</p> <p>12 Q. And then can you just quickly tell me</p> <p>13 what the refund policy is?</p> <p>14 A. Three-day full refund. 15-day</p> <p>15 85 percent refund. After 15 days, no refund, but</p> <p>16 obviously exceptions are always made.</p> <p>17 Q. So after 15 days no refund is available,</p> <p>18 generally.</p> <p>19 How much fulfillment gets done in those</p> <p>20 15 days or can potentially get done --</p> <p>21 A. I think quite a bit. I know for the</p> <p>22 vast majority of clients, you know, their entity</p> <p>23 will be set up, they will get their tax plan</p> <p>24 fulfilled, they will also have had at least one</p> <p>25 appointment with our fulfillment staff going over</p>	<p style="text-align: right;">Page 88</p> <p>1 B. Pack</p> <p>2 Q. Let's talk about a person who has</p> <p>3 purchased their first Tax Club purchase, they're</p> <p>4 now a Tax Club member, is that what they're</p> <p>5 called?</p> <p>6 A. Yes.</p> <p>7 Q. Okay, members. What happens following</p> <p>8 and who does it? What's the next thing that</p> <p>9 happens?</p> <p>10 A. They will go through compliance.</p> <p>11 Q. After compliance?</p> <p>12 A. They will be set up with appointments</p> <p>13 during compliance. They are set up with</p> <p>14 fulfillment. I believe they will get assigned</p> <p>15 what we call an account executive who is their</p> <p>16 person of contact, a person they could call and</p> <p>17 ask questions to and the person who kind of</p> <p>18 guides them through the process. They get set up</p> <p>19 with an EA or CPA or someone to help with their</p> <p>20 books and their setup and someone will call them</p> <p>21 from the fulfillment department and then they're</p> <p>22 just Tax Club members.</p> <p>23 Q. These appointment as you call them are</p> <p>24 set up to solicit the clients to purchase other</p> <p>25 product?</p>



THE TAX CLUB

BRENDAN PACK  
May 17, 2011

<p style="text-align: right;">Page 89</p> <p>1 B. Pack</p> <p>2 A. During compliance we schedule them</p> <p>3 currently for their fulfillment appointments and</p> <p>4 we also tell them that we have business</p> <p>5 advisement appointments, so we let them know that</p> <p>6 there not required, we recommend them but they</p> <p>7 are separate, and the client is informed</p> <p>8 currently that, you know, these are, you know,</p> <p>9 different appointments, they're not fulfillment</p> <p>10 appointments.</p> <p>11 Q. So they are informed at some point?</p> <p>12 A. Yes, during compliance. Our compliance</p> <p>13 script informs them that these are what we call</p> <p>14 business advisement calls. They're not required.</p> <p>15 We just want to talk to you about additional</p> <p>16 things you could do with your business, things we</p> <p>17 could help you with, et cetera, et cetera.</p> <p>18 Q. I'm going to go through a list one by</p> <p>19 one of Tax Club entities and can you tell me if</p> <p>20 you're familiar with them or if these are</p> <p>21 entities sold by your unit, division, the sales</p> <p>22 division.</p> <p>23 My Essential Plans?</p> <p>24 A. It's a product. It's a brand. It's not</p> <p>25 like an entity.</p>	<p style="text-align: right;">Page 91</p> <p>1 B. Pack</p> <p>2 A. Success Internet Marketing Success is one</p> <p>3 of ours.</p> <p>4 Q. Internet Marketing Success?</p> <p>5 My E-Biz?</p> <p>6 A. No.</p> <p>7 Q. Corporate Records Pro?</p> <p>8 A. Yes.</p> <p>9 Q. ICongo or inCongo?</p> <p>10 A. We don't sell it anymore. I guess -- we</p> <p>11 have a logo and that might still be under that</p> <p>12 name, but it used to be an actual division, but</p> <p>13 it doesn't exist anymore.</p> <p>14 Q. So the sales people under your</p> <p>15 supervision sell these products?</p> <p>16 A. Yes.</p> <p>17 Q. So when is the decision made what, if</p> <p>18 any, of these additional products will be sold to</p> <p>19 a specific new member?</p> <p>20 A. During compliance we schedule the</p> <p>21 fulfillment appointments and they tell them about</p> <p>22 the business advisement appointments. If the</p> <p>23 client chooses to set up those business</p> <p>24 advisement appointment, during those business</p> <p>25 advisement appointments they're presented with</p>
<p style="text-align: right;">Page 90</p> <p>1 B. Pack</p> <p>2 Q. That's what I mean. I mean, are these</p> <p>3 products sold by your sales force?</p> <p>4 A. Yes.</p> <p>5 Q. All Access Books?</p> <p>6 A. Yes.</p> <p>7 Q. Vital Payroll?</p> <p>8 A. Yes.</p> <p>9 Q. Business Document Center?</p> <p>10 A. We don't sell it anymore.</p> <p>11 Q. Successful Planning or Success Planning,</p> <p>12 Successful Planning?</p> <p>13 A. You know, I'm hesitant to like tell you</p> <p>14 no just because, I mean, so many -- I mean,</p> <p>15 anybody who is involved with a small business,</p> <p>16 you know, there's all these different things that</p> <p>17 they might go out and buy, so, I mean, a lot of</p> <p>18 the -- the product names include "success,"</p> <p>19 and so I don't want to say no and then it will be</p> <p>20 one of our --</p> <p>21 Q. Small Biz Credit?</p> <p>22 A. Yes.</p> <p>23 Q. Success Merchant Processing?</p> <p>24 A. Yes.</p> <p>25 Q. Internet Marketing?</p>	<p style="text-align: right;">Page 92</p> <p>1 B. Pack</p> <p>2 the opportunity to buy those additional services.</p> <p>3 Q. Is there one appointment for each</p> <p>4 potential product or one appointment that sells</p> <p>5 or tries to sell all the products?</p> <p>6 A. Right now everything is structured in</p> <p>7 teams so it's just based on account numbers. We</p> <p>8 have three teams and then they will call -- I</p> <p>9 mean, again, the first part is the probe, see</p> <p>10 what the client's wants are, you know, what they</p> <p>11 might need, and then they will offer those</p> <p>12 services to them that we have that fits their</p> <p>13 needs.</p> <p>14 Q. So who is making that decision?</p> <p>15 A. The sales rep.</p> <p>16 Q. The sales rep, and how do they</p> <p>17 communicate that to the compliance department so</p> <p>18 compliance knows what to -- what appointments to</p> <p>19 set up?</p> <p>20 A. I think you're mistaken.</p> <p>21 Q. Help me.</p> <p>22 A. During compliance, if the client agrees</p> <p>23 to set up business advisement appointments, the</p> <p>24 appointment is scheduled with one team, so that</p> <p>25 appointment is going to one team, and there's</p>

**BRENDAN PACK**  
May 17, 2011

**THE TAX CLUB**

<p style="text-align: right;">Page 93</p> <p>1 B. Pack</p> <p>2 sales reps on that one team and they will call</p> <p>3 the client up for their appointment and they</p> <p>4 could offer any of our products.</p> <p>5 Q. So there's a second sales team to sell</p> <p>6 these additional products?</p> <p>7 A. We just have sales team. It's</p> <p>8 structured as people who deal with bringing on</p> <p>9 new clients.</p> <p>10 Q. And then working with the clients that</p> <p>11 you've already made members?</p> <p>12 A. Dealing with our current clients, yeah.</p> <p>13 Q. So you said there were about 50 to 60</p> <p>14 folks. Are they always on the same teams or do</p> <p>15 they switch off, sometimes they sell initially</p> <p>16 and sometimes they sell to existing?</p> <p>17 A. There's been reps who have switched</p> <p>18 teams, but it's very infrequent.</p> <p>19 Q. So when you come in as a sales rep</p> <p>20 you're assigned to one or the other team?</p> <p>21 A. Yes.</p> <p>22 Q. Is there a basic Tax Club membership</p> <p>23 that you have to purchase sort of to get in and</p> <p>24 then -- or can you just become a Tax Club member</p> <p>25 by buying anything on this list contained in AG</p>	<p style="text-align: right;">Page 95</p> <p>1 B. Pack</p> <p>2 first-time member?</p> <p>3 A. Absolutely.</p> <p>4 Q. The list that you mentioned earlier, if</p> <p>5 you remember, I could go over it again, was that</p> <p>6 a complete list or are there services that I left</p> <p>7 off?</p> <p>8 A. We always are changing the services that</p> <p>9 we provide. A lot of those have been</p> <p>10 discontinued. You know, we've -- if anything,</p> <p>11 we've shrunk our product list over the last two</p> <p>12 years, you know, to core accounting services.</p> <p>13 Q. Are your services generally useful to</p> <p>14 businesses that are not incorporated?</p> <p>15 A. Absolutely.</p> <p>16 Q. So an unincorporated business could</p> <p>17 purchase one of your products separately and just</p> <p>18 use that, you know, they could sort of menu out</p> <p>19 or ala carte your products, even if they're not</p> <p>20 incorporated?</p> <p>21 A. Yes.</p> <p>22 Q. Are you familiar with the save call?</p> <p>23 A. Yes.</p> <p>24 Q. Is the sales department responsible for</p> <p>25 saved calls?</p>
<p style="text-align: right;">Page 94</p> <p>1 B. Pack</p> <p>2 ??</p> <p>3 A. Yes, you could purchase any of one of</p> <p>4 those packages.</p> <p>5 Q. That would make you a member?</p> <p>6 A. Yes.</p> <p>7 Q. Do all of the packages have the</p> <p>8 follow-up tax advice sort of ongoing service?</p> <p>9 A. If the client wants the business</p> <p>10 advisement appointment, yes.</p> <p>11 Q. Not the appointments, but do all the</p> <p>12 packages include that sort of tax advice, you</p> <p>13 know, where you could call that you mentioned</p> <p>14 earlier?</p> <p>15 A. Only the packages that have the</p> <p>16 year-round tax consulting.</p> <p>17 Q. So there isn't any one sort of initial</p> <p>18 package that you have to buy to become a member?</p> <p>19 A. Any package that you want to buy you</p> <p>20 become a member.</p> <p>21 Q. Makes you a member?</p> <p>22 A. Yes.</p> <p>23 Q. So you wouldn't say that these are</p> <p>24 add-ons, what I mentioned earlier, My Essential</p> <p>25 Plains, et cetera? They too could make you a</p>	<p style="text-align: right;">Page 96</p> <p>1 B. Pack</p> <p>2 A. It's changed. At one point in time we</p> <p>3 had a saves department. We don't currently. The</p> <p>4 sales rep is responsible for -- you know, again,</p> <p>5 they lose their commission, so, I mean, obviously</p> <p>6 if they want to save that client, retain that</p> <p>7 client, it's their job to retain it. We also</p> <p>8 have members from -- I mean, best case scenario,</p> <p>9 hopefully everyone in the company wants to save</p> <p>10 clients, but obviously the sales rep is most</p> <p>11 motivated because of their commission.</p> <p>12 Q. Let's say the sales rep says, "All</p> <p>13 right, I lost Judy, that's fine, I'm just going</p> <p>14 to move on," is there someone else in the company</p> <p>15 that will try to get Judy back?</p> <p>16 A. For all intents and purposes, no.</p> <p>17 MS. PROSPER: Joe, you're probably most</p> <p>18 familiar with what was turned over in the</p> <p>19 initial production.</p> <p>20 You spoke about bullet points that the</p> <p>21 sales folks use or things maybe that are</p> <p>22 around the room that they could refer to. We</p> <p>23 would like to request those.</p> <p>24 MR. SANSCRAINTE: Absolutely. I would</p> <p>25 check to see if it was in the original</p>



THE TAX CLUB

BRENDAN PACK  
May 17, 2011

Page 97	Page 99
1 B. Pack	1
2 production, and if not, apologies.	2 INDEX TO EXHIBITS
3 MS. PROSPER: That's okay. I'll tell	3
4 you that we have in the original production	4 AG ID EVD
5 what are called compliance scripts which when	5 8 Subpoena. 3 7
6 we got it we didn't know what they were but	6 9 Affidavit of Service. 3 8
7 now having heard testimony we have a better	7 10 Copy of driver's license. 3 12
8 idea so we may not have known to ask for	8 11 The Tax Club's Guide to 42
9 certain things ahead of time. So we're not	9 Incorporating.
10 faulting anyone, but sort of, let's say,	10 12 The Tax Club Sales Training 42 53
11 generally anything used by the sales staff	11 Presentation Transcript.
12 outside of what they learned in training but	12 13 My Essential Plans Sales 42
13 when they're actually doing the selling	13 Training Test.
14 things that are available to them and such.	14 14 The Tax Club Sales Manual. 43
15 We have the names of the folks that you	15 15 The Tax Club Legal Compliance 43 52
16 think could answer some of the questions that	16 With Telemarketing Regulations.
17 you could not.	17 16 Legal Strategies for Organizing 43
18 Do you have anything?	18 Your Company.
19 (Continued on next page for jurat.)	19
20	20
21	21
22	22
23	23
24	24
25	25

Page 98	Page 100
1 B. Pack	1
2 MR. SANS CRAINTE: No, nothing.	2 CERTIFICATION
3 MS. PROSPER: Thank you. It's now 12:12	3
4 and this concludes the examination of	4 I, PATRICIA WOR, a Notary Public in and
5 Mr. Pack. Thank you very much.	5 for the State of New York, do hereby certify:
6 (TIME NOTED: 12:12 P.M.)	6 THAT the witness, BRENDAN PACK, whose
7	7 testimony is herein before set forth, was
8 BRENDAN PACK	8 duly sworn by me; and
9	9 THAT the within transcript is a true and
10	10 accurate record of the testimony given by
11 Subscribed and sworn to	11 said witness, BRENDAN PACK.
12 before me this day	12 I further certify that I am not related,
13 of , 2011.	13 either by blood or marriage, to any of the
14	14 parties to this action; and
15	15 THAT I am in no way interested in the
16 NOTARY PUBLIC	16 outcome of this matter.
17	17 IN WITNESS WHEREOF, I have hereunto set
18	18 my hand this 3rd day of June 2011.
19	19
20	20
21	21 PATRICIA WOR
22	22
23	23
24	24
25	25

BRENDAN PACK  
May 17, 2011

THE TAX CLUB

Page 101

1  
2

ERRATA SHEET

3 I wish to make the following changes, for  
4 the following reasons:

5 PAGE LINE

6 \_\_\_\_\_ CHANGE: \_\_\_\_\_

7 \_\_\_\_\_ REASON: \_\_\_\_\_

8 \_\_\_\_\_ CHANGE: \_\_\_\_\_

9 \_\_\_\_\_ REASON: \_\_\_\_\_

10 \_\_\_\_\_ CHANGE: \_\_\_\_\_

11 \_\_\_\_\_ REASON: \_\_\_\_\_

12 \_\_\_\_\_ CHANGE: \_\_\_\_\_

13 \_\_\_\_\_ REASON: \_\_\_\_\_

14 \_\_\_\_\_ CHANGE: \_\_\_\_\_

15 \_\_\_\_\_ REASON: \_\_\_\_\_

16 \_\_\_\_\_ CHANGE: \_\_\_\_\_

17 \_\_\_\_\_ REASON: \_\_\_\_\_

18 \_\_\_\_\_ CHANGE: \_\_\_\_\_

19 \_\_\_\_\_ REASON: \_\_\_\_\_

20 \_\_\_\_\_ CHANGE: \_\_\_\_\_

21 \_\_\_\_\_ REASON: \_\_\_\_\_

22 \_\_\_\_\_ CHANGE: \_\_\_\_\_

23 \_\_\_\_\_ REASON: \_\_\_\_\_

24 \_\_\_\_\_ CHANGE: \_\_\_\_\_

25 \_\_\_\_\_ REASON: \_\_\_\_\_